FINANCIAL TIMES

European Union

Why convergence is a waste of time

Europa, Page 16

Ancient mariner

The appeal of Captain Birds Eye

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Backseat driver

Let the computer plan your trip

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Indonesia

Big business under attack

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World Business Newspaper | TUESDAY OCTOBER 17 1995 | D8523A

Ex-Barings chiefs criticised in Singapore report

Former senior executives of UK merchant banking group Barings face heavy criticism in a report by Singapore inspectors due to be published today. The group collapsed in February as a result of about $1.3bn of derivatives losses. The Singapore finance ministry is also to announce it is putting Baring Futures (Singapore), the unit formerly run by Nick Leeson, into liquidation. Mr Leeson is in prison in Frankfurt awaiting extradition to Singapore on a series of fraud charges. Page 18

Maxwell 'stretched law to the limit'

The late publisher Robert Maxwell stretched the law to its limit in his business dealings, his youngest son, Kevin (left), told a London jury. The former tycoon was both a "charismatic" leader who inspired deep loyalty and a brutal bully. Kevin Maxwell was making his debut in the witness box to defend himself against charges that he defrauded the Maxwell pension funds of £122m ($189m). He is expected to give evidence for at least two weeks. Page 10

Hussein attacks Iraq referendum: King Hussein of Jordan attacked Iraq's one-candidate presidential referendum, which resulted in a 99.9 per cent yes vote for Saddam Hussein, as a "dangerous development" and transparent "farce". Page 18; Court of the chameleon, Page 16

Atlas telecoms deal cleared: The way was cleared for the giant Atlas telecoms joint venture following agreement in principle between the European Commission and France and Germany. Page 3

Vebacom to take stake in online group: Vebacom, telecommunications division of Veba, Germany's industrial conglomerate, will acquire at least 1[illegible] per cent of Europe Online, the electronic information network due to be launched later this year. Page 19

Çiller forms interim government: Turkish prime minister Tansu Çiller and her original coalition partners from the Peoples Republican party patched together an interim government in a bid to stay in power until early elections. Page 18; Editorial Comment, Page 17

Siemens in deal with Mercury: German electronics company Siemens will this week announce a strategic partnership with Mercury Communications, the UK's second largest telecommunications operator. Page 19

Statoil poised to bid for Aran Energy: Norwegian state oil company Statoil is today expected to launch a £200m ($310m) takeover offer for the Irish oil exploration and production company Aran Energy. The bid would trump a hostile £182m bid from Atlantic Richfield Corp of the US. Page 19

US and Britain restart aviation talks: The US and the UK resumed attempts to conclude an aviation agreement which would allow British airlines to bid for American government contracts and give US carriers greater access to London's Heathrow airport. Page 4

Chinese leader suggests Taiwan visit: Taiwan's premier, Lien Chan, cautiously welcomed an offer to visit by President Jiang Zemin of China. Page 6

African bank to cut top staff: The African Development Bank is to spend up to $20m shedding 240 jobs, or a fifth of its staff, from its top management under reforms designed to win back donors' confidence. Page 7

Truck sales slowing: A strong recovery in the UK commercial vehicle market, which has lasted for almost two years, is showing signs of losing momentum. Page 10

Steffi Graf loses sponsor: Wimbledon tennis champion Steffi Graf, whose tax affairs are under investigation, lost a $1m annual sponsorship contract with German carmaker Adam Opel. Page 2

Supermarkets reject drug price-cutting: Britain's largest supermarket chains, J. Sainsbury and Tesco, and Boots, the biggest chemists, said they would not follow Asda's move to defy price maintenance on over-the-counter medicines by cutting prices. Page 11

WHO plans disease 'hit squad': The World Health Organisation, alarmed by the growing threat from new and re-emerging diseases, is to set up an early warning system and a rapid reaction force to tackle epidemics. Page 7

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,782.94	(-10.84)
NASDAQ Composite	1,020.44	(+2.06)
Europe and Far East		
CAC40	1,790.49	(-26.54)
DAX	2,191.44	(-5.39)
FT-SE 100	3,557.3	(-10.7)
Nikkei	18,016.44	(+135.61)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.448%
Long Bond	107½
Yield	6.308%

OTHER RATES

UK: 3-mo Interbank	6[illegible]%	(6[illegible]%)
UK: 10 yr Gilt	102[illegible]	(102[illegible])
France: 10 yr OAT	101.26	(101.69)
Germany: 10 yr Bund	102.24	(102.29)
Japan: 10 yr JGB	114.014	(114.454)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.10	(16.0)

GOLD

New York: Comex		
(Dec)	$388.1	(386.4)
London:		
close	$383.95	(384.2)

DOLLAR

New York lunchtime		
£	1.574	
DM	1.4218	
FFr	4.959	
SFr	1.153	
Y	100.45	
London:		
£	1.5763	(1.5724)
DM	1.4195	(1.4291)
FFr	4.9565	(4.9735)
SFr	1.1494	(1.157)
Y	100.3	(100.675)

STERLING

DM	2.2376	(2.2471)
Tokyo close:	Y 100.45	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kč55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.525	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

Japan angered by claims of US spying at car talks

Tokyo considers protest after report of CIA eavesdropping

By William Dawkins in Tokyo

Japanese officials yesterday reacted strongly to reports that the US Central Intelligence Agency spied on trade negotiators during a dispute over access to Japan's car market.

Mr Ryutaro Hashimoto, minister of international trade and industry, expressed displeasure at the allegations in the New York Times that the CIA eavesdropped on conversations between Japanese officials and car executives.

"It's a report that is difficult to confirm and is not pleasant business," Mr Hashimoto said. He said he would discuss diplomatic action with the foreign ministry.

"If this is true... this will be a matter of grave concern that will badly affect our diplomatic negotiations in the near future," said Mr Hiroyuki Sonoda, deputy chief cabinet secretary. Mr Jiro Nemoto, president of the Nikkeiren employers' federation, said: "It is extremely disgusting if the report is true."

The report, which drew no comment from the US embassy in Tokyo or the CIA in Washington, is the latest in a series of allegations in recent years that the CIA has carried out political and – since the end of the cold war – business espionage in Japan.

The strong reaction shows how delicate US-Japan relations have become in recent weeks.

The US is believed to have gained little or no advantage from the alleged action. Japan gave away almost nothing in the car trade deal in June, refusing US demands for guaranteed increases in market share.

Car industry officials found it hard to see how any espionage could have helped the US negotiators. A Miti official said yesterday he was more afraid of Japanese journalists' investigative prowess than of the CIA.

Mr Tomiichi Murayama, prime minister, said US espionage, if confirmed, did not influence the deal. The claim has done more damage than previous incidents because it comes as US-Japanese relations have worsened.

Relations briefly improved over the summer, as both sides celebrated peace after the bitterly disputed car deal. But the rapprochement was jolted by the furore over the alleged rape of a schoolgirl by three US servicemen from a base in the southern island of Okinawa last month.

US distrust of Japan was stoked last month by the finance ministry's six-week delay in making public a $1.1bn loss at the Daiwa Bank's New York branch.

Officials on both sides admit to surprise at how much the Okinawa incident has inflamed public opinion.

The report is likely to add to anti-American feeling among the Japanese public, at a time when the governments are trying to strengthen relations.

President Bill Clinton and Mr Murayama are due to hold a summit in Osaka in mid-November, when Japanese government officials will be eager to stress the positive aspects of the alliance.

Kohl calls on Germans to become risk takers

By Peter Norman in Karlsruhe

Chancellor Helmut Kohl yesterday called on Germans to become risk takers and and start a new era of founding companies to overcome the country's unemployment crisis.

In his opening speech to the annual congress of his Christian Democratic Union, Mr Kohl touched on many issues of concern in Germany, pointing to the need to change aspects of German life ranging from education to collective bargaining.

He said there was something wrong with an education system which channelled 40 per cent of graduates into public service. "It engenders a mentality of safety first too much, and too little entrepreneurial risk taking."

German language revival ....Page 2
An easier road to Emu ....Page 16
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Mr Kohl said 700,000 small to medium-sized family companies – "the backbone of the social market economy" – would need a new owner in the next five to 10 years. But surveys had shown that the children in half of Germany's family companies did not want to take them over because it would mean more work, increased risk and less security than salaried positions.

Setting out the policies needed to carry Germany into the 21st century, Mr Kohl combined an emotional appeal on behalf of greater integration in Europe with an insistence that economic and monetary union would be possible only if the conditions set out in the Maastricht treaty were obeyed in all circumstances.

Mr Kohl's wide-ranging speech avoided triumphalism and instead looked ahead to the next general election in 1998 and the challenges that a CDU-led government would face afterwards.

But his bid to spell out the hurdles Germans had to overcome to maintain their industrial base and generous welfare state won a respectful rather than enthusiastic ovation.

Some of the loudest applause came when Mr Kohl said it was not hysteria on Germany's part to insist that the Maastricht criteria were not negotiable. He reaffirmed the government's policy of "embedding a free and united Germany firmly in a free and united Europe". Germany, he said, "needs this clear position (on Maastricht), because we want Europe".

In response to widespread concern that Germany might replace the D-Mark with a less strong European currency, Mr Kohl and other party leaders yesterday strengthened the congress's resolution on Emu to specify that it required "enduring" fulfilment of the Maastricht criteria.

But, to leave no doubt about his commitment to EU integration, Mr Kohl dwelled on the breakdown of peace in the years between the world wars, and the war in Yugoslavia as reasons

Continued on Page 18

Marchers gather near the Washington Monument as President Clinton urged all Americans to 'clean our house of racism' Picture: Associated Press

Buoyant mood as blacks march in US

Crowd divided on role and views of militant organiser

By Jurek Martin and Afshin Molavi in Washington

They may not have numbered the promised million, but several hundred thousand black men descended on the US capital yesterday to proclaim the message that they were ready to atone for their past sins and take responsibility for the destiny of their families and neighbourhoods.

The crowd gathered in sunny, cool weather, stretching from the slopes of Capitol Hill down the Mall more than a mile to the Washington monument. The mood was buoyant, though with undercurrents of tension related to the principal organiser of the Million Man March, Mr Louis Farrakhan, head of the militant Nation of Islam.

The march had been planned months ago but was given added point by the stark evidence of the US racial divide provided by the differing black and white reactions to the acquittal two weeks ago of O.J. Simpson, the black ex-football star accused of killing his wife and her friend.

Recognising the importance of the event, President Bill Clinton told an audience in Austin, Texas, that all Americans must "clean our house of racism". He called on whites to "acknowledge the truth of black pain", which saw more young blacks in jail than in college, and urged blacks to fight the crime and violence "that too often has a black face".

But, while applauding the stated purposes of the demonstration and never mentioning Mr Farrakhan by name, the president added that "1m men do not make right one man's message of malice and division".

Retired General Colin Powell, who chose not to attend the march so as not to lend "credibility" to a man accused of racism and anti-semitism, took a similar line in a morning interview. "I wish someone else had thought of the idea other than Minister Farrakhan," he said. But, he went on, "he did and it has taken root and I hope something positive can come out of it".

The Nation of Islam leader

Continued on Page 18
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Pechiney overtakes Renault to top French sell-off list

By John Ridding in Paris

Pechiney, the French aluminium and packaging group, is likely to move ahead of Renault to become the next issue in France's privatisation programme, Mr Yves Galland, industry minister, said yesterday.

Mr Galland said the sale of the state-owned aluminium group could take place from next month. "Pechiney is today in a positive cycle.... it is a company where the chairman has set out a dynamic strategy," he said.

France's conservative government has set a target of FFr40bn ($8.04bn) from privatisation receipts this year and has already sold Usinor Sacilor, the steel producer, since taking office in May. Renault, floated on the stock market last year through a sale of a minority stake in the automotive group, had been tipped as the next operation.

Pechiney's bid to join the private sector has been boosted by progress in its restructuring. Last week, the group completed an important step in its strategy, announcing the sale of Howmet, its US turbine components subsidiary, for about FFr4.4bn.

The programme of asset sales, launched by Mr Jean-Pierre Rodier, who took over as chairman last year, has yielded about FFr10bn. It is aimed at cutting Pechiney's debts which totalled about FFr25bn at the beginning of 1995.

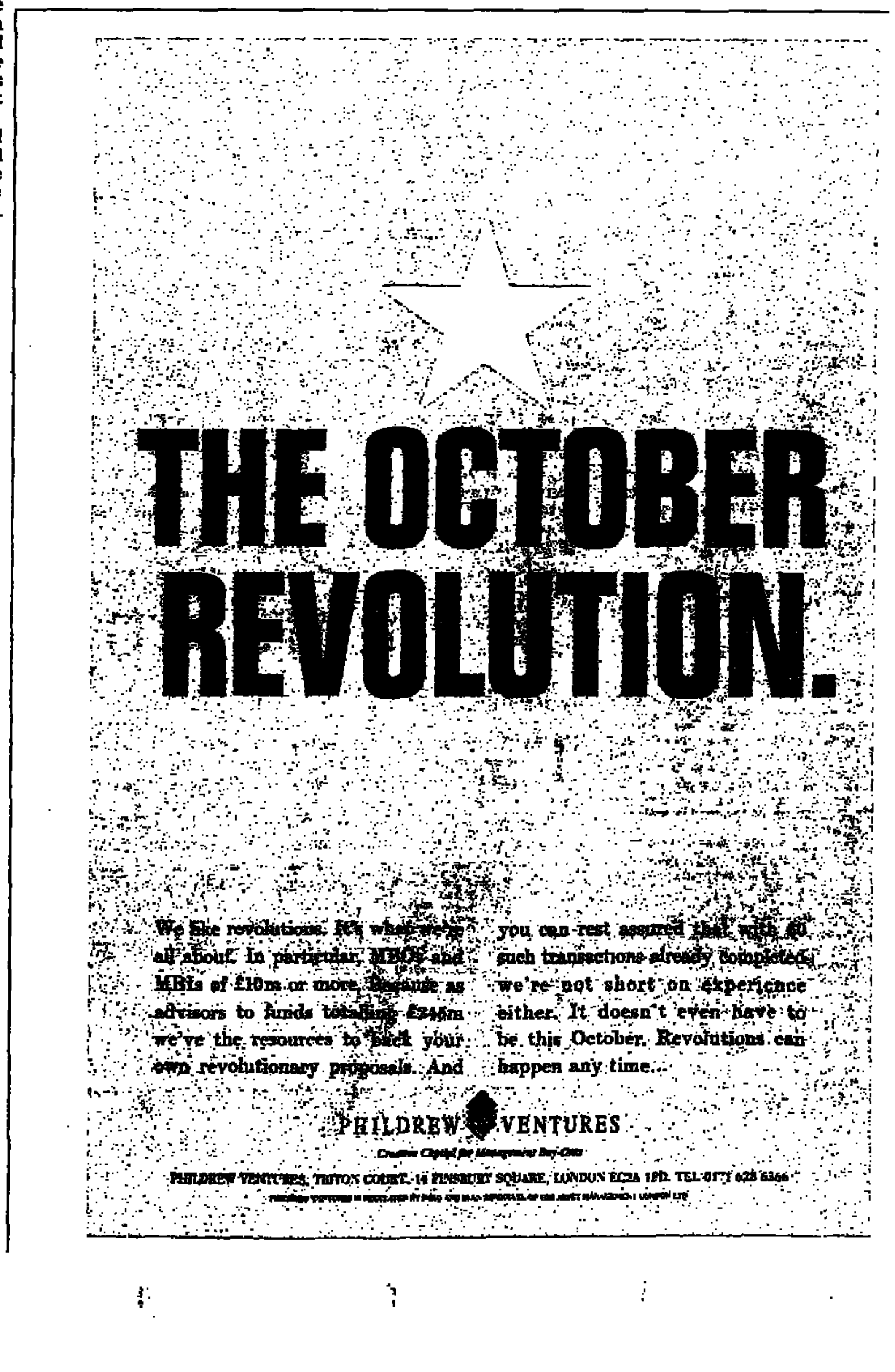
The upturn in the aluminium market and the impact of productivity measures has enabled the company to return to profit. In the first half of this year, it achieved a net profit of FFr658m. Industry analysts say the reorganisation of the group makes it difficult to value the company, but estimate the sale of the government's 56 per cent stake could raise about FFr8bn.

While Pechiney's restructuring has brought forward its privatisation, the sale of the government's majority stake in Renault has been delayed by market conditions. Gloomy forecasts for the French and European car market and a sharp fall in Renault's share price are cited by government officials as the cause for the delay.

"I have always said that we will not privatise under whatever conditions," said Mr Galland. He said that the strength of the company, one of Europe's most profitable carmakers, was not reflected in the share price.

The Renault issue was complicated by the government's selling of a minority stake in the company last year at a price of FFr165 per share. Yesterday, shares in the group closed down FFr2 at FFr150.5.

Mr Galland said the government was also considering the privatisation of Framatome, the nuclear technology group. Alcatel Alsthom, the transport, telecoms and engineering concern, has previously expressed interest in raising its 44 per cent stake in the company from a minority to a majority holding.



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Dane favoured to take Claes job at Nato

By Bruce Clark, Diplomatic Correspondent

Mr Uffe Ellemann-Jensen, the former Danish foreign minister, was tipped yesterday as the most promising candidate to become secretary-general of Nato if, as looks increasingly likely, Mr Willy Claes is forced to step down this week.

Mr Claes will on Thursday appear before the full Belgian parliament to protest his innocence in a corruption scandal. If deputies follow the advice of a parliamentary committee and clear the way for him to face trial, his departure from Nato is viewed by diplomats as inevitable.

Mr Ellemann-Jensen, leader of Denmark's Liberal party, was a hot favourite when Nato's top job last changed hands in September 1994, but he was occupied at that time with an election campaign in which he stood a good chance of winning.

If Mr Claes steps down this week, the succession could be discussed on Saturday in New York, where alliance foreign ministers will be gathering for a 50th anniversary summit of the United Nations.

The job of secretary-general traditionally goes to a European with a distinguished track record in his own country and impeccable Alanticist credentials.

Copenhagen has not provided a secretary-general before, but a Danish incumbent would have advantages for old-fashioned Atlanticists.

Denmark generally takes a cautious view of the extension of European Union competence into new areas such as defence, and shares with other Scandinavian countries a keen concern for the security of the Baltic states.

The US, whose voice is crucial, has been loyal to Mr Claes, despite the fact that he has been named in a scandal over bribes allegedly paid to the Flemish Socialist party by the Italian helicopter maker Agusta in 1988.

The question of who holds the top Nato post may be more important in a few months' time – when a Nato-led peace implementation force (PIF) of up to 60,000 troops will be enforcing peace in Bosnia.

This factor could militate in favour of an early decision. The secretary-general's role as mediator and deal-broker could become crucial if some unforeseen incident in Bosnia triggered a crisis.

Mr Jonathan Eyal, a London-based defence analyst, predicted that western governments would prepare an announcement on the succession to come as quickly as possible after the news that Mr Claes was stepping down. "To avoid a long debate, they will decide the question Vatican-style as soon as they can," said Mr Eyal, director of studies at the Royal United Services Institute for Defence Studies.

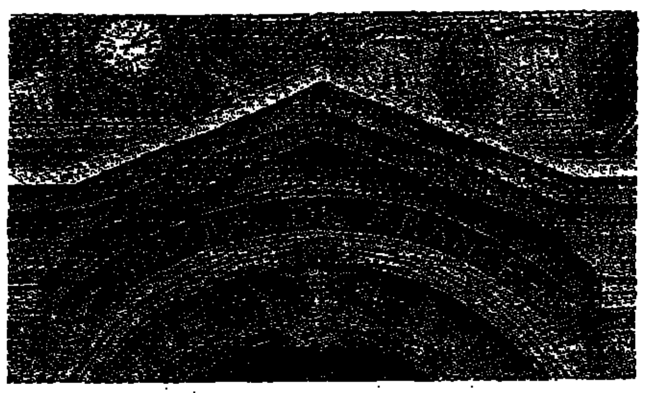
British officials sought to play down speculation that Mr Douglas Hurd, the former UK foreign secretary who recently took up a banking job in the City, was a likely candidate.

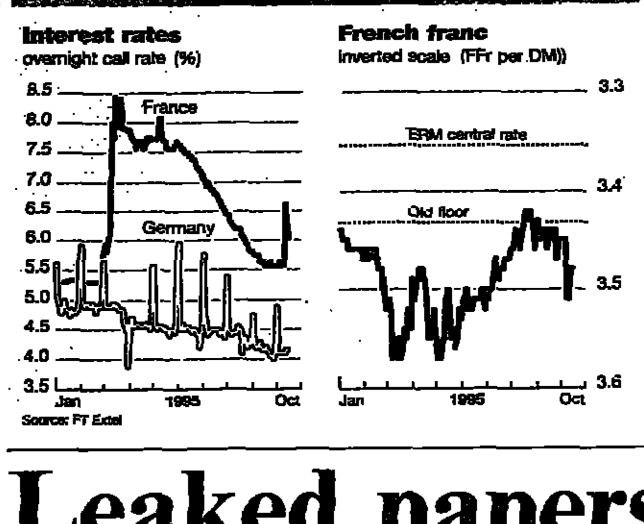
Any such move could trigger an embarrassing by-election in Britain, they noted.

Two Dutch politicians have also been tipped.

They are the former prime Minister Ruud Lubbers – whose current obligations as a lecturer and consultant do not seem unbreakable – and Mr Hans van den Broek, presently the European Union's external affairs commissioner.

France trims key interest rate





By John Ridding in Paris

The Bank of France yesterday took a cautious step towards easing its monetary stance, trimming a key interest rate which it had raised last week to defend the French franc from a strong attack.

However, the continued fragility of French financial markets was demonstrated by a fall in the franc, which lost more than one centime against the D-Mark to FFr3.49 in trading yesterday. French shares and bonds also weakened.

The decline was partly prompted by a report in the daily Le Monde which claimed that Mr Jean Arthuis, the French finance minister, knew of a Swiss bank account allegedly linked to his Social and Democratic Centre grouping (CDS) in a party financing probe. Mr Arthuis firmly denied the claim, the latest twist in a series of political funding investigations.

France's central bank reduced the 24-hour lending rate from 7.25 per cent to 7 per cent. It had increased the rate from 6.15 per cent last week as the French currency fell to FFr3.53 to the D-Mark amid growing concerns about the government's economic policy and a housing scandal involving Mr Alain Juppé, the Gaullist prime minister.

Despite yesterday's move, the small cut and the market reaction supported the view of economists that the franc remains vulnerable and that the central bank remains on the defensive.

"As long as the government lacks a clear policy on how to achieve its goals, then the franc will be exposed," said Mr Jean-François Mercier, economist at Salomon Brothers. Mr Juppé's conservative government has faced strong criticism for its failure to explain how it will achieve conflicting objectives of reducing the budget deficit to satisfy the Maastricht criteria on European monetary union (Emu), while cutting unemployment and maintaining a stable currency.

Mr Juppé has pledged to reduce the public sector deficit to 3 per cent of GDP by 1997, compared with a forecast 5 per cent this year, to satisfy the Emu criteria. But many political opponents and market observers doubt the required spending cuts can be achieved.

The prime minister said yesterday that he was committed to deficit reduction and that measures to halve the FFr60bn ($11.8bn) social security deficit next year would be implemented in January.

He faces a further round of criticism today as the French parliament begins a debate on the 1996 budget. Mr Philippe Séguin, president of the National Assembly, says he agrees with the need to reduce France's deficits, but is strongly critical of the high level of French interest rates.

Since being cleared from prosecution in the housing scandal last week, Mr Juppé has sought to regain the political initiative and has stressed his confidence in achieving fiscal and social reforms.

Officials at his office, however, yesterday played down the prospect of a quick cabinet reshuffle aimed at reversing the sharp decline in the government's standing.

Leaked papers implicate Berlusconi

By Robert Graham in Rome

The management structure of Mr Silvio Berlusconi's Fininvest business empire was so organised that he was unlikely to be ignorant of bribes paid to the Guardia di Finanza, the financial police.

This allegation lies at the heart of Saturday's decision by a Milan judge to send Mr Berlusconi for trial on charges of corruption, according to leaked documents published yesterday by Ansa, the national news agency.

Mr Berlusconi has repeatedly denied the charges and claimed that he is the victim of a political vendetta. But the former prime minister has not denied that bribes were paid by Fininvest executives to the Guardia di Finanza for less stringent inspections of the group's books.

Although companies within the Fininvest group enjoyed some managerial autonomy, all matters relating to tax and budgeting were handled centrally, according to the documents. Fininvest's tax chief, Mr Salvatore Sciascia, had admitted to being close to Mr Berlusconi who had rewarded him with large bonus payments.

"It is certainly true that Sciascia said when money had to be paid over to the Guardia di Finanza he had contacted Paolo Berlusconi, the number two in the group," the judge says. "But it would seem difficult for Silvio Berlusconi, the number one and brother of Paolo, who was also linked by personal and professional ties to Sciascia, to know nothing about these hand-outs."

The documents also allege that there is proof that Mr Massimo Maria Berruti, a former Guardia di Finanza official recruited by Fininvest, visited Mr Berlusconi on June 8,1994 at the prime minister's office. That visit, the judge alleges, was related to investigations by Milan magistrates into bribes paid to the Guardia di Finanza by Fininvest.

Reuter adds from Rome: Mr Berlusconi was yesterday quoted as insisting that he would run for prime minister again in spite of the corruption charges.

Brushing aside doubts about his future expressed by members of his centre-right Freedom Alliance, he said that any allies who were unhappy could go their own way. "I am the leader of the alliance. I am the candidate for prime minister," he was quoted as saying as he watched his soccer team, AC Milan, beat Juventus.

"I shall tell my allies, 'Gentlemen, that's the way things are.' And if they don't like it they can do what they please."

Tomorrow, centre-left parties in the Senate, the Italian upper house, are due to present a no-confidence motion in Mr Filippo Mancuso, the justice minister, whom they accuse of trying to throttle the anti-corruption drive. The vote could force Mr Lamberto Dini, the prime minister, into a cabinet reshuffle that could put the government at risk.

The minister is under attack from the centre-left parties which provide the parliamentary support for Mr Dini's government. Mr Mancuso is accused of undermining the role of the investigating magistrates, especially those dealing with corruption and anti-Mafia cases, by ordering an ever mounting number of disciplinary inspections.

Madrid seeks to head off 'secrets' clash

By Tom Burns in Madrid

Spain's government yesterday set up a panel of judges to head off a confrontation with the courts over its refusal to provide documents about an undercover war against Basque separatists in the early 1980s.

The move came as the deadline expired for Mr Felipe González's government to comply with a court order that the defence ministry hand over papers relating to its alleged role in the affair.

The long-running investigation into the shadowy anti-terrorist group Gal has led to the indictment of former members of the governing Socialist party, and former senior police and interior ministry officials.

Judge Baltasar Garzón, who heads the Gal investigation, asked the defence ministry for papers relating to the undercover war against Eta, the Basque separatist organisation. They were allegedly prepared as submissions to the government by Spain's military-run intelligence service.

As the deadline expired yesterday, the government announced the creation of a six-member judicial panel drawn from members of the supreme court and from the council of state, a consultative body that advises the government on constitutional issues. Its brief would be to resolve the conflict over access to official secrets.

Former German ambassador to Madrid, Mr Guido Brunner, was yesterday at the centre of an investigation into illicit payments made to Spain's ruling Socialist party by Seat, a subsidiary of Volkswagen, writes Tom Burns. Reversing previous denials, Mr Brunner, who was cross-examined by a Madrid magistrate, admitted that he had received a cheque from Seat in 1988, but that he could not recall the amount. Press reports have said that the cheque was for Pta150m ($1.2m).

The panel could take two months to agree on a ruling.

Mr Garzón's investigative team believes the papers will furnish evidence that the government had prior knowledge of Gal's activities, a charge Mr González has consistently denied.

The panel will scrutinise the government's insistence that the papers being called for contain classified information and must remain secret.

Evidence that the intelligence service has Gal-related papers has emerged in recent weeks, partly through evidence provided by officials to Mr Garzón and other magistrates, and partly through leaks to the press by former secret service officers. Col Juan Alberto Perrote, the service's former chief of operations, is under arrest and faces charges of stealing official secrets.

Tearful Sahlin suspends bid to be premier

By Hugh Carnegy in Stockholm

Ms Mona Sahlin, Sweden's embattled deputy prime minister, said yesterday that she was suspending her candidacy for the premiership.

"I have been careless in my life, but I am not a dishonourable person, I am not a cheat," she said during an emotional press conference which swung from angry attacks on the media to tears over her private use of government credit cards and other revelations about her family finances.

"I will fight for my honour, but today I am far from certain that I am a suitable candidate to be prime minister."

Ms Sahlin, 38, said she and the Social Democratic party would take a "time out" in the process of finding a successor to Mr Ingvar Carlsson, who plans to retire as party leader and prime minister next March.

This leaves open the possibility that she may still be the only candidate if state prosecutors, currently considering the case, decide she broke no law. But she said it was not clear whether the party would continue to want her as prime minister – or whether she would decide that she wished to remain a candidate.

She admitted that she had been wrong to use her government credit card for private purchases and to have been slow in paying off the debt, also not to have paid 19 parking fines and to have had problems paying off private credit card debts. But she insisted that she had never intended not to pay and had now settled all of them.

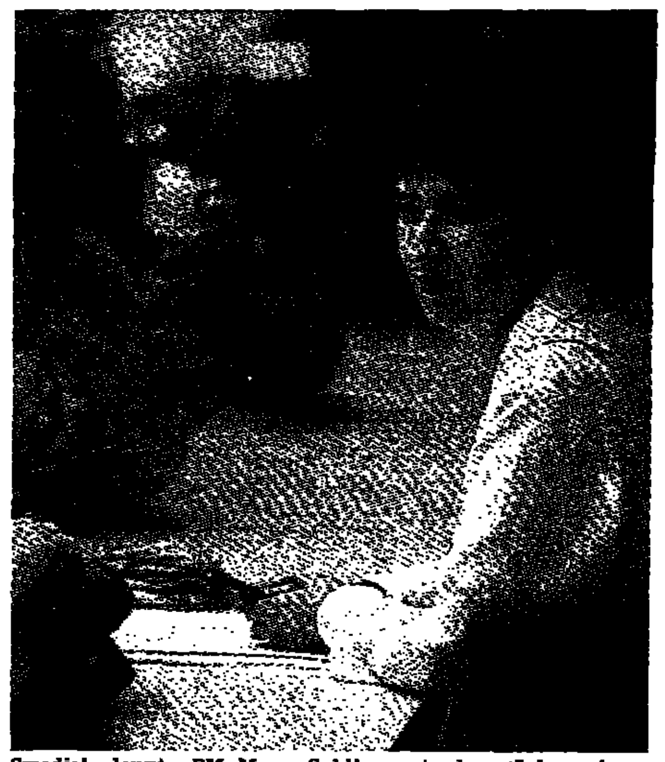
"I am fully conscious of our open government practice which means everything in the department is open to public scrutiny," she said. "That is why those receipts for nappies and Toblerone and cigarettes were available to be published. I handed them in to show that those expenditures were private. I am not that stupid."

She fought back tears as she rounded on reporters for contacting her sister and her former boyfriend about her personal affairs. "You wanted to know if I slept with this person or that person," she said. "Excuse me, but what has that got to do with it?"

She also cried as she confronted the possibility that her career in politics might soon be over.

The events of the past week have thrown the Social Democrats into turmoil, wrecking the leadership's plan for a smooth, uncontested transition.

They have also turned upside down public perceptions of Ms Sahlin, a prominent Social Democrat since her days as a teenage student leader, a campaigner for women's rights and, until last week, one of Sweden's most popular political figures.



Swedish deputy PM Mona Sahlin yesterday: 'I have been careless.... but I am not a cheat' Reuter

EUROPEAN NEWS DIGEST

Bosnian Serbs purge generals

Rebel Serb leaders yesterday sacked four generals in reprisal for recent losses on the battlefield, as fighting continued in north-western Bosnia. More than 100,000 Serb civilians have fled the Croat and Moslem advance, prompting relief workers yesterday to express concern for the more than 127,000 refugees.

"It is a dire situation. The problem is that it is all happening as the winter is about to arrive," said Mr Gonzalo Vargas Llosa, an official of the UN's refugee agency. Despite a five-day-old truce, fighting continued in north-west Bosnia where Croatian and government troops pushed forward against their Serb foes.

Faced with the string of defeats, the Bosnian Serb assembly yesterday traded accusations about who was to blame. Deputies called for the sacking of key military leaders, including generals Milan Gvero and Zdravko Tolimir, who are loyal to Bosnian Serb commander, General Ratko Mladic, and accepted the resignation of Mr Dusan Kozic, their "prime minister" who does not wield much power.

US and UN officials yesterday met local Serb leaders in eastern Slavonia as the Croatian government appeared intent on launching an offensive to seize the territory, inhabited by some 150,000 Serbs, many of whom are refugees from elsewhere in former Yugoslavia. *Laura Silber, Zagreb*

Letter-bomb attacks in Austria

Two people were injured by letter bombs yesterday, the latest in a series of right-wing terrorist attacks in Austria. A village doctor of Syrian origin and a 71-year-old woman who has helped political refugees both suffered severe hand and face wounds in separate attacks when they opened letters addressed to them. The attacks were timed to coincide with the trial of two neo-Nazi activists suspected of involvement in letter-bomb attacks in December 1993. The most prominent victim of those bombs, the former mayor of Vienna, Mr Helmut Zilk (left), gave testimony at the trial yesterday, just as the latest bombs exploded. Nine people, mostly foreigners, activists and politicians have been wounded by letter bombs in Austria and Germany since the bombings began nearly two years ago. *Eric Frey, Vienna*

Graf loses Opel sponsorship

Steffi Graf, the German tennis star whose father is in jail over alleged tax offences, suffered a further blow yesterday with the news that Adam Opel, the car manufacturer, was terminating its DM1.7m ($1.15m) sponsorship contract.

"We are not questioning Steffi's integrity. It's problems with her management," said an Opel official, Mr Klaus Mauer. "We believe her present associates and management do not provide the correct basis for a new contract."

Mr Peter Graf, her father, was jailed in August to prevent him fleeing or concealing evidence about his daughter's tax affairs. Opel, a subsidiary of General Motors of the US, has had a sponsorship deal with Ms Graf for 10 years.

"From the very beginning we stood by Steffi in every way. At the same time we advised her to rearrange her management structure," Opel supervisory board member and GM's European vice-president, Mr Hans Wilhelm Gäb, told a news conference. "The decision was very hard. Steffi has concentrated completely on her sporting achievements and, as a result, she simply does not have the information she needs about her business." *Andrew Fisher, Frankfurt*

Germany's ouput shown weaker

German industrial production in August was weaker than expected. But analysts yesterday remained uncertain about the underlying implications of the figures because holidays in August meant the month was not representative, and because the government was still having trouble with its statistics.

Inflation year-on-year, meanwhile, rose fractionally in September to 1.8 per cent, up from 1.7 per cent a month earlier. Seasonally-adjusted industrial production fell 3.4 per cent compared with July, and was down by 0.9 per cent compared with a year earlier. At the same time the economics ministry revised its July industrial production figures downwards to 1.7 per cent, from a provisional 3.3 per cent.

For three months, German production fell 0.9 per cent relative to the preceding three months, according to James Capel, the London-based analysts. The weak figures were mainly influenced by manufacturing output, the largest component, which fell 3.7 per cent. *Michael Lindemann, Bonn*

More die in Chechnya fighting

Two Russian soldiers have been killed and six injured in the rebellious republic of Chechnya over the previous 24 hours, Interfax news agency reported yesterday. Violence has been mounting despite an official ceasefire, with each side accusing the other of stepping up military activity.

Interfax quoted the Russian forces' press service as saying that Russian positions had come under fire 37 times in Chechnya, 24 of the attacks occurring in the capital, Grozny. Russian military officials said their soldiers had returned fire and Chechen fighters had sustained losses.

Russian forces were sent into the north Caucasus territory last December to end a campaign for independence. A ceasefire, agreed after thousands of people had been killed in six months of heavy fighting, has come under severe strain since an October 6 bomb attack badly injured the commander of Russian troops in Chechnya.

The separatists at the weekend claimed that Russian aircraft had bombed mountain villages south-west of Grozny. A Chechen spokesman said that at least 17 people had been killed. *Reuter, Moscow*

German language enjoys east Europe revival

By Judy Dempsey in Berlin

The American author Mark Twain, in one of his essays, called German "that awful language". But in eastern Europe, the language is undergoing an extraordinary revival largely due to the efforts and financial assistance of the German government, the Goethe Institute and foundations known as Stiftungen attached to the main political parties.

The revival is seen by German officials as one of the keys to establishing much closer relations between Germany and its eastern neighbours.

"But it is more than that," said Mr Jürgen Wickert, head of the regional offices of the Friedrich Naumann Stiftung, Germany's liberal Free Democrat think-tank. "Besides teaching German, the work of the foreign ministry and the foundations is aimed at creating a civil society and promoting stability in the region. If things go terribly wrong in eastern Europe or Russia, Germany will be the first to pick up the pieces."

The foundations were barred from opening offices in eastern Europe and the former Soviet Union before 1990, although they tried to extend scholarships to individuals. "Those regimes did not want us," said Mr Norbert Wagner of the Konrad Adenauer Stiftung, which is attached to the Christian Democratic Union.

After German reunification, the foundations quickly set up offices in all the capitals and many of the bigger cities of eastern Europe. The main political foundations, which are funded by the foreign ministry and the ministry for economic development, have between them a budget of DM30m ($20.4m) this year for the region, while the foreign ministry itself has a budget of DM500m for promoting the German language worldwide, of which DM70m is earmarked for eastern Europe and Russia. In 1993, the foreign ministry set up a special programme to send 500 teachers to the region.

The demand for the German language is increasing all the time. "Two-thirds of all German speakers outside Germany live in eastern Europe and Russia," said Mr Klaus Fischer from the Goethe Institute, which spends DM9m on teaching the German language in the region.

German is the first foreign language now chosen by primary and secondary school children in Hungary and Slovakia. In the Czech Republic and Poland, English is slightly ahead.

But for the foundations, language teaching is often secondary compared with their long-term goals. "We want to help these governments create democratic institutions," said Mr Ernest Stetter from the Friedrich Ebert Stiftung of the Social Democrat party. "We do not want to impose the German model on these countries. That is not our aim. Instead, we want to explain how to strengthen local government, how employers and trade unions can negotiate, how a climate of consensus, not conflict, can be created, how federal structures can be established," he said.

"We provide training programmes for young politicians, for economists, for teachers," said Mr Wickert. "Although the east European countries are now developing their own political systems, we cannot assume it will be stable. Creating democracy is a long-term programme."

The foundations' programmes also include scholarships for young academics to study in Germany or in their own countries, as well as lectures and courses, either in the German or local language, on privatisation, voting systems, the role of local government and particularly European Union legislation.

The foundations, the foreign ministry and the Goethe Institute are acutely aware that building democratic institutions has to be coupled with introducing social reforms, especially in the field of education.

The foreign ministry and the Goethe Institute recently set up special commissions consisting of Germans and local officials to rewrite the history books.

"The Goethe Institute provides books and language materials," said Mr Fischer. "But that is not enough. Two years ago we set up a special project to have the German-language books revised. The old books were ideological and dogmatic, especially about the former DDR."

The foundations, however, are sensitive about how Germany's past is perceived by its east European neighbours. "The Germany of today is not the Germany of the 1930s and we have to communicate this," said Mr Wickert. "The countries of eastern Europe are coming to terms with Germany. They want to know about our experiences, about rebuilding a democracy after the second world war. But we must never give the impression that we are throwing our weight around in eastern Europe. That is not our aim," he added.

There is little doubt, however, that as the foreign ministry and the foundations establish their long-term presence in eastern Europe and Russia, the trade-offs will be considerable for Germany.

"One of these trade-offs is that eastern Europe will trust us more," a foreign ministry official said. He added that as the younger generation of east Europeans become more exposed to Germany and its economic and political system through the foundations, it will lead to more stability and much closer economic ties. Germany is already eastern Europe's largest trading partner.

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NEWS: EUROPE

Environment commissioner Ritt Bjerregaard: her handling of the dispute has come in for heavy criticism Reuter

Brussels at sea over French nuclear testing

Caroline Southey reviews an issue straining Commission credibility

Caught between a pushy European parliament and a powerful French lobby, the European Commission is desperately trying to patch together a credible policy on France's nuclear tests in the South Pacific.

Last week it dispatched yet another letter to Paris and set yet another deadline in what has become an intractable and drawn-out dispute over France's right to conduct nuclear experiments and the Commission's power to intervene.

France has pressed ahead with the tests, conducting one in July and one in August and has promised to complete the programme of up to eight underground explosions by next May.

"The whole thing is getting embarrassing," said an EU official. "The Commission's credibility is at stake."

> 'Public opinion says we have responsibility but ascribes more power to us than we really have'

Patience is in short supply on all sides. While France has appeared increasingly exasperated by Brussels' behaviour, tensions have begun to surface in the Commission over the way Mrs Ritt Bjerregaard, the environment commissioner, has handled the dispute.

She has wanted the Commission to take a tougher stance against France, most recently by pressing for a strongly worded letter that would warn France it had failed to comply with its obligations under the European Atomic Energy Community Treaty (Euratom). Such a warning would be the first sign that Brussels might take the matter to court.

For its part, the parliament has urged the Commission to order France to stop the tests until it has been established that the terms of the treaty have been fulfilled.

The Commission will hold a special meeting next Monday to deliver its verdict on whether Paris has supplied sufficient information on the tests and, if it has, whether it is in breach of Euratom.

However, the Commission's rights and responsibilities are poorly defined in the treaty. "The difficulty is that there is no precedent. The rules laid down in the treaty have never been tested before," an official said. "On top of everything, public opinion says we have some responsibility but ascribes more power to us than we really have."

Some EU officials believe the Commission's limited case against the tests has been further undermined by Mrs Bjerregaard. They think she has bungled the campaign and failed to take advantage of a groundswell of support among fellow commissioners.

Said one: "She has asked commissioners to take a tough line but she has provided incomplete analysis of the situation. Even those who supported her opposition to the tests made clear last week they could not go along with her."

Last Wednesday commissioners adroitly side-stepped a confrontation with Mrs Bjerregaard over what their next step should be. Instead of dispatching a stiff letter to France, they decided to prod Paris into providing extra information on the safety aspects of the tests.

A letter sent on Friday asks France to provide more data on the effects of the nuclear tests. "The tone of the letter is very different to what she wanted," said an EU official.

He added that the letter was also "much more precise about exactly what information we want". Mrs Bjerregaard had been criticised for not setting reasonable parameters to information requested from France.

The Commission has also been advised by nuclear experts that some of the information it has been seeking is either not pertinent to the EU's case or is classified data.

"Experts have told her that she is pressing France for information which it is obliged not to supply because of its obligations to the Nuclear Non-Proliferation Treaty," said an official. "She also wants information on the environmental damage, which is not within the Commission's competence."

France's position is that the treaty has nothing to do with military tests and installations, that it does not give the Commission the power to stop the tests and that it has nothing to do with the protection of the environment.

The Commission's legal advice concurs on some points. It has argued that the treaty "confers no competence on the Commission to ask for the suspension or cessation of experiments" nor can the Commission "express a view on the merits of the experiments or appropriateness, including their timing".

What Brussels can do under the treaty, the legal experts say, is assess whether an experiment, military or civil, is "particularly dangerous". Even then, however, it must concern itself with making sure that "additional health and safety measures" have been taken to protect the local population and workers from radiation.

"This," said an official, "leaves us with an extremely limited scope of interpretation relative to public expectation."

Constrained by the treaty and under pressure from the parliament, officials believe the Commission's only option is to find a "face-saving" formula to wrap up the dispute. "The balance is to make sure we fulfil our obligations under the treaty but to make sure we do not get dragged into something which is beyond our competence," a senior EU official said.

He added that the Commission had to decide "whether we want to appear popular in the short term but sacrifice our credibility in the long term".

Mrs Bjerregaard, who has courted controversy in Brussels just as she did during 23 years in Danish politics, "will come out a hero in the public eye" as a champion of the anti-test campaign, according to one official. While France, said another, "could afford to be a lot more relaxed, considering the way we are going about it".

Changes aim to increase competition and boost choice in the country's television networks

Germany to ease media ownership rules

By Judy Dempsey in Berlin

Germany is set to change its media ownership laws to allow individuals or companies to own 100 per cent of a television channel. The current law restricts ownership to 50 per cent in one network and 25 per cent in another two.

The premiers of the country's 16 states have agreed new rules aimed at increasing competition in the networks. They also believe that current restrictions encourage complex cross-shareholdings, and that eliminating the need for these will bring greater transparency in ownership.

They are proposing that an individual or company be allowed to own 100 per cent of a television channel and a maximum of 50 per cent of a second and 25 per cent of a third. But no single owner will be permitted a significant stake in companies which together have more than 30 per cent of the German television market.

"This is an attempt to introduce competition, but also to break up the concentration of the media which has taken place over the past few years," said Mr Hans-Dieter Drewetz, an adviser to the state government of Rhineland-Palatinate.

The proposals will go some way towards meeting concerns expressed by smaller broadcasters and foreign companies that current legislation encouraged concentration of ownership and restricted choice. "It will be much clearer in future to identify who the real owners are," said Mr Drewetz.

German commercial television was introduced in 1985 for cable and satellite viewers and has been dominated by two groups. Mr Leo Kirch, the media mogul, holds 43 per cent of Sat-1, the first commercial television channel, 25 per cent of Premiere, the pay-TV channel and 24.5 per cent of DSF, a sports channel. Bertelsmann, Germany's largest publishing group, has 49 per cent stake in RTL, the second independent channel, 37.5 per cent of Premiere and a minority stake in Vox, a youth-oriented network, recently rescued by Mr Rupert Murdoch.

Through their control of the networks, the two groups dominate the DM4.8bn (£2.1bn) a year television advertising market, the biggest in Europe.

The proposals follow months of acrimonious debate among politicians and the 15 state regulators which issue broadcasting licences.

The opposition political parties, notably the Social Democratic party, have pressed for reform of the media law, arguing that the concentration of ownership allowed political bias. SPD politicians have alleged that Sat-1 – along with ZDF, the second state television channel – is persistently pro-government in its reporting.

The state premiers will meet in December to finalise the proposals and the regulators could have the legislation in place by early next year.

Brussels set to approve Atlas telecoms venture

By Emma Tucker in Brussels

The way has been cleared for the giant Atlas telecoms joint venture following agreement in principle, confirmed yesterday, between the European Commission and France and Germany.

British Telecommunications, the company most directly affected by the tie-up between France Télécom and Deutsche Telekom, welcomed conditions imposed by Brussels, but said it was worried that domestic regulatory regimes in France and Germany were insufficient to prevent abuses of competition.

Among concessions made by the two state-controlled companies and their governments is the exclusion of data transmission subsidiaries – France Télécom's Transpac and Deutsche Telekom's Datex-P – from the venture until 1998, when all telecoms services in the European Union will be opened to competition.

France and Germany have also agreed to allow alternative telecoms networks, such as those operated by utilities companies, to compete for business against the state operators by July 1, 1996.

BT said yesterday that Mr Karel Van Miert, the competition commissioner, was "putting a welcome emphasis on liberalisation. What we see less of is regulation of the incumbents in the domestic markets". The British company is worried that, without properly developed regulatory regimes, competitors may find they are discriminated against when they seek access to French and German networks. "The regulators in France and Germany are not yet wholly independent operators," said BT.

Mr Van Miert stressed that the two countries would have to liberalise their networks fully. "Alternative infrastructures must be opened up in the real world," he said. "France has already started the procedures and Germany has said it will speed up its procedures, too."

Mr Ron Sommer, chairman of Deutsche Telekom, said Atlas, which will provide data transmission services to big companies, would be launched early next year.

Mr Van Miert admitted that the Commission had no powers to stop them going ahead before final approval, but said it could act later if the concessions were not complied with.

He added that the Phoenix venture between Atlas and Sprint of the US would not be given formal clearance until Atlas had received the final rubber stamp. This would not be before next spring.

The agreement – once adopted by the full body of European commissioners tomorrow – has to be shown to competitors and other interested parties for comment before formal clearance is granted.

The Phoenix deal is also awaiting approval from the US Federal Communications Commission. Mr Van Miert said he was confident the US body would welcome the concessions won by Brussels. "Our concerns were very much in line with theirs," he said.

NEWS: WORLD TRADE

Cut-price drugs move irks EU importers

By Motoko Rich in London, David White in Madrid and Emma Tucker in Brussels

Pharmaceutical importers in the EU, angered by an extension of a ban on exports of low-priced Spanish and Portuguese medicines, argue that estimates of how much such exports will dent north European sales are exaggerated.

European commissioners are due to meet tomorrow to decide whether to change the ban's expiry date or respond to appeals from the German, French, and UK governments for further protection from cheap imports from Spain and Portugal.

The European Commission has interpreted the three-year moratorium as expiring on December 31, rather than this month, thereby allowing more time to reach a decision. However, importers argue that, according to a decision made by a UK high court in July, the ban should have expired on October 7.

Last week the Commission asked Germany and France to prove that these imports would cause "grave damage" to their domestic pharmaceuticals industries. Bonn wants the ban lengthened for seven years while Paris is lobbying for a two-year extension.

The ban dates from the accession of Spain and Portugal to the EU in 1985, when they were forbidden to export drugs to other EU states because they lacked adequate patent laws.

Although both have since passed patent laws, the present moratorium was imposed in October 1992 to prevent traders and wholesalers taking advantage of a change in Spanish law which effectively would have opened the way to free trade in drugs. Government-fixed prices make Spain's medicines among the cheapest in the EU.

In the UK, the Association of Pharmaceutical Importers said German and UK claims that imports from Spain and Portugal would cause their domestic drug industries to lose sales were exaggerated. The German pharmaceuticals association claims its domestic industry will lose up to DM2bn ($1.3bn) in sales when non-patented products from Spain and Portugal are sold to the rest of the EU.

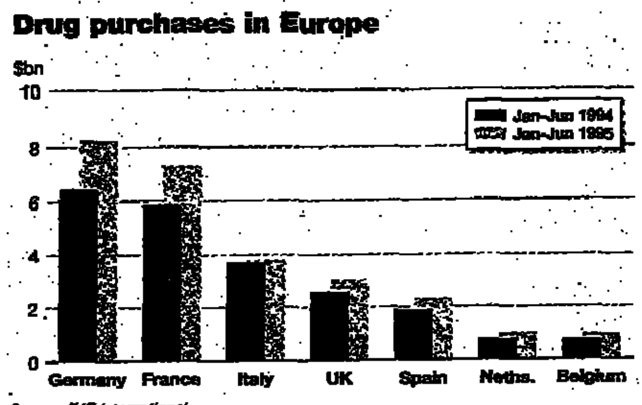
In the UK, the industry estimates its annual losses could reach £100m ($155m).

Mr John Barker, chairman of the API, said parallel imports from France, Greece and Italy represented only 6 per cent of the National Health Service bill.

He said it was unlikely that the added input of Spanish and Portuguese imports would cause significant damage to the UK drugs industry.

Mr Barker said that if the bans were extended beyond December 31, the NHS would lose the benefit of taxing parallel imports. "It also hinders the free movement of goods. The pharmaceuticals industry says it wants a single market but it does not want its goods moving around. That cannot be in the interests of the EU," he said.

Drug purchases in Europe



Source: IMS International

Concern is growing over the possible closure of product lines by multinationals

Spanish drugs industry sets its sights against lifting ban

Spain's pharmaceuticals industry opposes lifting the export ban on medicines to other parts of the European Union, fearing it would itself be damaged as a result.

The industry is concerned that multinational companies might cancel licensing arrangements and close down product lines in Spain in order to protect themselves from low-priced "parallel imports" of Spanish-produced drugs.

Farmaindustria, the main employers' organisation for the sector in Spain, has been pressing the Madrid government to seek a seven-year extension of a moratorium on drugs exports to other EU countries, which expires this year.

The moratorium was imposed in October 1992 to prevent traders and wholesalers taking advantage of a change in the Spanish patent law, which effectively would have opened the way to free trade in drugs. Government-fixed prices make Spain's medicines among the cheapest in the EU.

EU entry terms for Spain and Portugal set special interim provisions for patented chemical and pharmaceutical products, as well as more general safeguard clauses in the event of serious difficulties in any economic sector. Other EU members will no longer be able to apply for safeguards against imports from Spain and Portugal after the end of this year.

Farmaindustria argues that the ending of the transition period for drugs trade is premature and could harm the sector in Spain as well as in the rest of the EU.

A study earlier this year by the Madrid-based Centre for Studies in European Pharmaceutical Law (Cedef) found that the principal drugs companies in the UK, the Netherlands and Germany would stand to lose Pta59.2bn ($481m) next year in sales revenue for patented medicines.

The companies were already suffering from imports from France, where prices were also relatively low, it said. The additional loss resulting from the opening of imports from Spain would be about Pta20.5bn for the 12 companies included in the study.

This would cancel out the profits currently made by these companies in Spain. "It would therefore become profitable for them to stop marketing the product in Spain, with the resulting effect on their presence and investments," Mr José-Luis Valverde, a Spanish conservative Euro MP, warned in a Cedef report this week.

Mr Valverde called for inter-governmental co-operation to bring prices more into line, thereby discouraging the parallel import business. "Some governments will be attracted by parallel imports to alleviate some budget costs," Mr Valverde added.

Farmaindustria argues that the impact of lifting the moratorium could be aggravated by volatile exchange rates. It also points out that most medicines in Spain pre-date the 1992 patent legislation and that patent protection will not become fully effective until early next century.

Before the change, Spanish patents were based on manufacturing processes rather than products, enabling companies to produce imitations of patented medicines for the Spanish market. Cedef puts the current market in parallel imports of drugs in Europe at between $600m and $1bn.

David White

Manila and Westinghouse settle 'bribery' row

By Edward Luce in Manila

The Philippine government yesterday said it would press ahead with the planned conversion of a nuclear power plant into a 1,400MW gas-fired station, following the weekend resolution of a dispute with Westinghouse, the US utility group.

The deal with Westinghouse, which built the controversial Bataan nuclear plant in 1982, provides for $100m in compensation to the Philippine government for alleged bribery. Of this, $60m will be in the form of two 501F Westinghouse gas turbines.

Westinghouse, which until yesterday was barred from any contracts in the Philippines, was accused of having bribed government officials to inflate the size of the $2.1bn nuclear contract.

The plant, near an earthquake fault line, has stood idle since it was completed. Philippine officials confirmed yesterday that the government would continue to pay the $300,000 in daily interest on loans taken out for the plant.

"The Westinghouse agreement is very welcome but long overdue," said an executive of a foreign power company in Manila yesterday. "It will lift a cloud that has been hanging over the Philippines for almost a decade."

The government, which has agreed to drop all further charges against the company including an arbitration suit in Geneva, said yesterday that Westinghouse would also be eligible to compete for the deferred second round of bidding for a 1,200MW gas-fired generation contract in Batangas, south of Manila.

The first round of bidding was cancelled in June after it was discovered that the lowest bidder, Cepa (Consolidated Electric Power Asia), the power subsidiary of Hopewell Holdings of Hong Kong, had included banned Westinghouse technology in its $1.4bn proposal.

Some analysts were surprised that the government had not made the agreement with Westinghouse retroactive to allow Cepa, the largest foreign power investor in the Philippines, to win the contract based on the first round of bidding.

Shell, the Anglo-Dutch group which will supply the gas for the power plant from its field in Palawan, south west of Manila, has complained of the rising costs of further delays to the Batangas project.

The second round of bidding is expected to take place next year.

WORLD TRADE NEWS DIGEST

US, UK restart aviation talks

The US and the UK yesterday resumed attempts to conclude a new aviation agreement which would allow British airlines to bid for US government contracts and give US carriers greater access to London's Heathrow airport. Negotiators from the two countries are meeting in Washington following a fruitless negotiating session in London last month.

The UK wants further changes to the US government's "Fly America" policy, which restricts contracts to fly government employees and mail to US carriers. In June, the two sides agreed that UK airlines could bid for US government contracts, but this was restricted to five routes. The agreement said UK carriers could bid for the contracts only in co-operation with a US partner. The UK wants these rights to be extended.

Sir George Young, UK transport secretary, has said that the US would have to accept that air liberalisation was a "two-way street". He said UK airlines found it difficult to gain access to the US domestic market.

In addition to greater access to Heathrow, the US is demanding greater freedom of action for cargo operators such as Federal Express, the world's largest cargo carrier. At present, it can only fly from the UK to the Netherlands, Germany, Belgium, India, Turkey and some destinations in the Middle East. *Michael Skapinker, Aerospace Correspondent*

US, India in broadband venture

General Instrument Corporation, the US communications and satellite technology company, has tied up with HCL, one of India's largest computer companies, to set up a joint venture to manufacture and market broadband communications equipment for the Indian market. The venture will provide cable television set-top devices and radio frequency and fibre optic distribution equipment. The company says revenues for the venture are expected to cross $300m in the fifth year of operation. Set-top devices, almost unavailable on the Indian market, are required to give consumers access to the full spectrum of channels and proposed pay services. India's cable subscriber base is over 15m and is expected to exceed 50m by the year 2000. *Shiraz Sidhva, New Delhi*

■ Bell Canada International, foreign contracting arm of BCE, Canada's biggest telecommunications group, will build a 50,000 subscriber mobile telecommunication network at Yantai, China, in a joint venture with the coastal city. It will also co-operate with Shandong province in the telecommunications field.

BCI has around $2bn invested in the US, UK, New Zealand, Colombia, Brazil and Japan. *Robert Gibbens, Montreal*

■ Cable and Wireless of the UK has inaugurated a $60m fibre system linking the eastern Caribbean islands from the British Virgins in the north to Trinidad in the south. The Eastern Caribbean Fibre System replaces the company's microwave system, and will carry the main international and regional traffic for the islands. The system is part of Cable and Wireless' programme for improving telecommunications in the region. *Canute James, Kingston*

■ Charter Builders, Texas subsidiary of John Mowlem of Britain, has been awarded contracts worth $23.4m to build four elementary schools in the state, two each for Dallas Independent School District and Rockwall Independent School District. *Andrew Taylor, Construction Correspondent*

■ Ericsson Telefon has won a $19m contract from China's Shandong Province Posts and Telecommunications Administration to expand the GSM network in the province. Ericsson won a $17m order for the installation of the GSM network in May. *AFX News, Stockholm*

Prague to award GSM licences

By Vincent Boland in Prague

The Czech government yesterday said it would award two Europe-wide GSM standard mobile telephone licences, in a further move to liberalise the country's telecommunications market.

It announced a tender to select a strategic partner for one of the GSM licences in partnership with Ceske Radiokomunikace (CRA), the state-owned operator of television and radio transmission facilities. CRA will have 51 per cent of the joint venture, with the selected partner taking the remainder.

The second GSM licence will go to EuroTel, a Czech/US consortium which has been offering mobile telephone services since 1990. EuroTel is a joint venture between SPT Telecom, the Czech national operator, Bell Atlantic and US West.

At least 12 potential partners have already signalled their intention to link with CRA. These include TeleDanmark and other international operators, as well as several local consortia.

The selected partner is likely to be either a single international operator or one acting with a local group able to offer substantial distribution capacity.

The tender will officially begin after November 15 with the partner expected to be chosen by next March.

EuroTel uses the 450Mhz NMT frequency, because in 1990 the 900Mhz GSM frequency, which has become the international standard, was reserved for military purposes. The consortium is understood to have paid $10m in 1990 to be allowed to offer services on the higher frequency, now vacated by the military.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.9	98.3	95.5
1987	108.4	106.0	6.1	106.3	96.6
1988	112.6	110.7	5.4	107.6	100.1
1989	115.6	112.4	5.2	101.4	98.9
1990	116.4	112.4	5.4	87.0	95.1
1991	114.0	110.5	6.6	64.6	99.9
1992	117.6	114.1	7.3	63.9	104.7
1993	123.8	118.8	6.7	69.0	110.3
1994	131.2	125.1	6.0	76.9	112.4
3rd qtr.1994	5.8	5.8	5.9	79.1	112.4
4th qtr.1994	5.7	6.0	5.5	83.6	112.4
1st qtr.1995	4.7	5.5	5.5	79.7	111.9
2nd qtr.1995	4.3	3.3	5.6	78.0	112.6
September 1994	6.4	5.7	5.8	77.8	112.4
October	6.2	6.1	5.6	84.0	112.2
November	6.0	5.8	5.5	82.0	112.5
December	4.9	6.1	5.4	84.9	112.4
January 1995	6.7	6.4	5.6	78.8	112.4
February	3.9	5.6	5.4	80.9	112.1
March	3.4	4.6	5.4	79.6	111.9
April	3.3	3.9	5.7	79.7	111.9
May	4.6	3.4	5.6	77.1	112.0
June	4.9	2.7	5.5	77.0	112.6
July	4.8	2.9	5.6	79.2	113.2
August	4.2	3.3	5.6	79.3	

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	77.0
1986	106.6	99.7	2.8	94.3	84.1
1987	113.8	103.1	2.8	108.3	91.5
1988	122.6	113.1	2.5	135.9	98.9
1989	132.5	119.7	2.2	147.0	98.8
1990	141.7	124.5	2.1	149.8	96.2
1991	144.6	126.8	2.1	144.2	93.7
1992	139.9	119.0	2.1	124.2	92.8
1993	131.8	113.6	2.5	106.6	98.4
1994	129.6	114.5	2.9	102.2	107.1
3rd qtr.1994	−1.2	1.5	3.0	103.3	105.6
4th qtr.1994	−0.7	6.2	2.9	102.4	107.1
1st qtr.1995	−2.3	6.1	2.9	107.6	107.7
2nd qtr.1995	−0.8	4.9	3.1	105.7	108.6
September 1994	−0.6	1.5	3.0	103.6	105.6
October	−1.4	5.3	3.0	102.7	106.1
November	0.2	6.0	2.9	102.7	106.8
December	−1.0	7.1	2.8	102.2	107.1
January 1995	−4.0	4.9	2.9	101.8	107.1
February	−1.6	7.4	2.9	115.2	107.5
March	−1.1	5.9	3.0	105.6	107.7
April	−1.5	6.0	3.1	102.2	107.9
May	−0.7	5.6	3.1	110.3	108.3
June	−0.3	3.2	3.2	104.7	108.6
July		1.3	3.2	102.2	108.9
August		1.0			

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.8
1986	103.4	102.2	6.4	136.4	89.4
1987	107.4	102.6	6.2	149.4	90.1
1988	110.5	106.3	6.2	164.8	95.8
1989	114.2	111.4	5.6	218.7	97.9
1990	123.5	117.2	4.8	261.1	98.4
1991	130.5	118.0	4.2	270.7	95.5
1992	127.7	116.4	4.6	260.2	89.6
1993	122.3	109.1	6.1	198.5	95.6
1994	120.4	114.1	6.8	196.8	103.9
3rd qtr.1994	−2.6	4.7	6.9	195.1	102.9
4th qtr.1994	−2.3	8.1	6.8	210.1	103.9
1st qtr.1995		1.9	6.7	227.6	102.3
2nd qtr.1995		2.2		230.1	102.0
September 1994	−1.8	4.5	6.9	200.7	102.9
October	−2.0	6.3	6.8	204.8	103.4
November	−3.7	7.7	6.8	209.8	103.9
December	−1.1	10.2	6.8	214.0	103.9
January 1995		1.6	6.7	221.5	103.4
February		4.4	6.7	227.3	102.7
March		−0.2	6.7	232.3	102.3
April		2.1	6.8	233.1	102.1
May		1.8	6.8	230.6	103.3
June		1.3		226.5	102.0
July		1.8		224.0	101.2
August		−0.5		219.0	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.0
1986	102.4	101.2	10.4	107.0	98.2
1987	104.5	103.1	10.5	117.2	96.1
1988	107.9	107.3	10.0	135.3	101.1
1989	109.5	111.3	9.4	160.6	100.9
1990	110.4	112.9	8.9	163.2	96.4
1991	110.3	113.8	9.4	128.2	97.6
1992	110.5	113.2	10.4	109.5	96.2
1993	110.7	110.2	11.7	90.0	99.6
1994	110.8	114.4	12.3	104.1	102.7
3rd qtr.1994	1.3	5.6	12.2	109.0	103.3
4th qtr.1994	−0.5	5.5	12.0	103.5	102.7
1st qtr.1995	0.5	5.5	11.8	119.3	101.5
2nd qtr.1995	1.1	3.7	11.6		102.6
September 1995	2.3	5.3	12.2	111.9	103.3
October	−1.8	4.9	12.1	108.3	103.3
November	−0.5	5.0	12.0	102.2	102.9
December	0.9	6.5	12.0	99.7	102.7
January 1995	2.4	5.8	11.9	110.6	102.5
February	0.6	4.6	11.8	119.1	101.8
March	−1.5	6.3	11.7	128.1	101.5
April	0.2	2.2	11.6		102.1
May	2.8	4.4	11.6		102.5
June	0.5	4.4	11.5		102.6
July	1.8		11.4		101.9
August					

■ ITALY

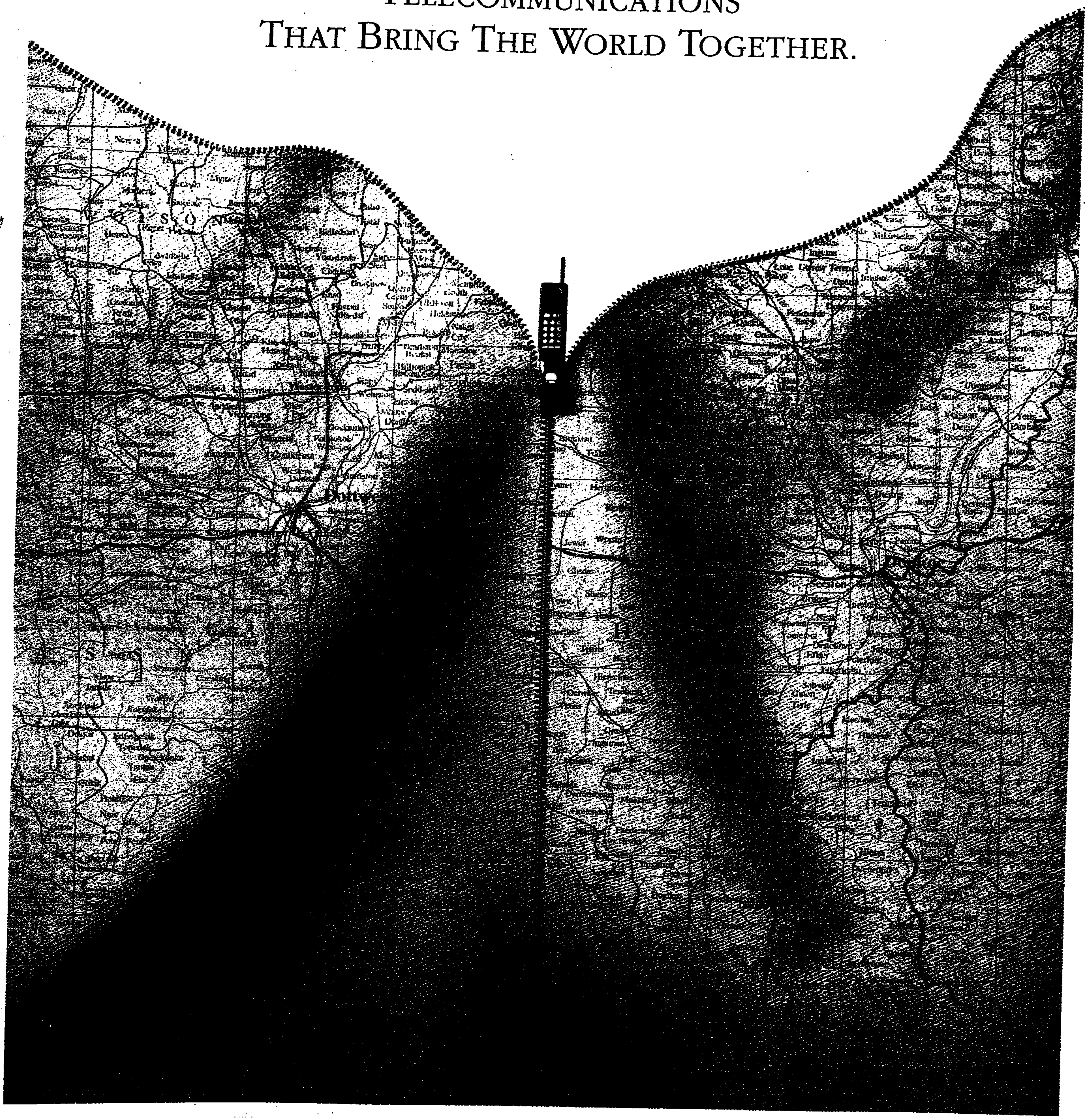
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.2
1986	106.8	104.1	10.4	94.2
1987	112.1	106.8	10.9	95.7
1988	107.9	114.2	10.9	100.0
1989	116.8	118.7	10.9	98.1
1990	114.4	118.0	10.3	94.8
1991	110.9	116.9	9.8	96.9
1992	116.9	115.4	9.8	93.9
1993	114.2	113.0	10.2	100.6
1994	108.1	119.9	11.3	102.5
3rd qtr.1994	−4.3	10.5	11.1	103.1
4th qtr.1994	−5.2	9.7	11.5	102.5
1st qtr.1995	−5.1	9.0		101.3
2nd qtr.1995		5.9		100.9
September 1994	−5.6	7.8	n.a.	103.1
October	−6.9	7.0	n.a.	103.0
November	−12.9	7.3	n.a.	102.8
December	3.9	15.0	n.a.	102.5
January 1995	0.5	9.8	n.a.	102.3
February	−1.5	8.1	n.a.	101.8
March	−14.1	9.2	n.a.	101.3
April	−0.2	5.4	n.a.	100.9
May		7.1	n.a.	101.2
June		5.4	n.a.	100.9
July		4.1	n.a.	
August			n.a.	

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	89.9
1986	105.3	102.5	11.2	116.1	93.0
1987	110.8	106.5	10.3	141.2	95.9
1988	117.8	111.6	8.6	143.1	95.6
1989	120.1	114.0	7.2	123.5	93.6
1990	121.1	113.7	6.8	97.2	91.5
1991	119.4	109.5	8.8	68.2	95.4
1992	120.4	109.4	10.1	69.1	99.3
1993	123.9	111.5	10.4	76.0	106.7
1994	128.5	117.1	9.5	93.5	110.7
3rd qtr.1994	4.2	5.8	9.5	96.1	110.2
4th qtr.1994	3.5	4.5	9.0	105.0	110.7
1st qtr.1995	1.4	4.2	8.7	103.3	110.8
2nd qtr.1995	1.4	2.1	8.8	106.8	110.4
September 1994	4.4	6.2	9.3	98.8	110.2
October	3.6	5.4	9.1	104.2	110.3
November	3.2	4.0	9.0	105.8	110.6
December	3.9	4.0	8.8	105.1	110.7
January 1995	0.3	3.7	8.7	104.0	111.0
February	2.4	3.9	8.7	102.7	110.8
March	1.5	5.2	8.8	103.1	110.8
April	1.8	2.7	8.8	107.6	110.8
May	1.2	1.7	8.8	106.4	110.7
June	1.2	1.7	8.7	106.5	110.4
July	1.2	1.9	8.6	106.5	110.1
August	0.4	1.0		107.6	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations which usually precede cyclical fluctuations in general economic activity.

TELECOMMUNICATIONS THAT BRING THE WORLD TOGETHER.



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Bank of Japan aims to help fight borrowing premium

By Gerard Baker in Tokyo

The Bank of Japan is actively seeking co-operation from other central banks to help Japanese financial institutions facing problems in raising funds in international markets.

Mr Yasuo Matsushita, the bank's governor, told a meeting of the budget committee of the House of Representatives yesterday that the bank was preparing contingency plans to help Japanese banks fight the so-called "Japan premium", the extra charge at present added to their borrowing costs in international markets.

Mr Matsushita did not disclose details of the plans but they are likely to include some international co-ordination of the emergency provision of funds at lower lending rates to banks in difficulty.

In the past three months, Japanese banks' cost of funds has risen sharply as international worries over the stability of the Japanese financial system have intensified.

The premium emerged in the summer following the collapse of three local banks and rose sharply after the announcement last month of a \$1.1bn loss from unauthorised bond trading at Daiwa Bank, one of the country's largest banks.

Some Japanese lenders, especially weaker regional banks, now face funding costs of more than 0.4 percentage points above normal inter-bank lending rates in outside money markets. Other banks have seen their credit lines cut by European and US banks.

Last week, the finance ministry denied reports in financial markets that the Bank of Japan was already engaged in helping the smaller regional banks. But in the past few months the bank has been buying dollars in large amounts, mostly as a form of currency intervention, designed to weaken the yen.

The action by other central banks could, according to some analysts, include the provision of inter-central bank lending, channelled to the Bank of Japan which could then lend it on. Other Group of Seven governments are eyeing the Japan premium with concern. If it persists, the problems could start to have broader effects on international financial markets.

Since banks aim to keep a rough match between their assets and liabilities in foreign currencies, a cut in Japanese banks' borrowing could force them to reduce their holdings of foreign currency assets, a factor that could have a depressing effect on world securities markets.

Mr Matsushita also gave the committee an account of last week's International Monetary Fund and World Bank meetings in Washington. He said he and finance ministry officials had reassured other governments and commercial banks that the Japanese authorities were committed to taking the necessary measures to restoring stability to Japan's financial system.

Mr Kyosuke Shinozawa, vice-minister for finance, said yesterday the government would consider improving its banking supervision after its widely-condemned response to losses at Daiwa Bank. "The ministry thinks it necessary to harmonise its policy (on disclosure) with those of other countries in this era of rapid deregulation," he stated.

He was responding to criticism that the ministry had not notified US authorities quickly enough. The ministry was told about the losses at Daiwa's New York branch in early August, six weeks before it notified the US authorities.

HK passport unveiled

China yesterday unveiled the passport it will issue to Hong Kong residents after the territory returns to Chinese rule in 1997, and called on Britain to give visa-free entry to those who will hold it, Reuter reports from Beijing.

The dark blue passport will be given to Chinese citizens holding permanent residency of what will be the Hong Kong Special Administrative Region, said Mr Wang Fengchao, deputy director of the Hong Kong and Macau Affairs Office (pictured above with the passport). He said China hoped for co-operation from Britain in promoting recognition of the new passport. A British diplomat said London had taken no decision on the matter, pending discussions on the new passport, who would be eligible for it, and how easy it would be to forge.

ASIA-PACIFIC NEWS DIGEST

Budget deficit worries Hanoi

Vietnam will borrow abroad and domestically to help meet an anticipated 1996 budget shortfall which the country's finance minister yesterday admitted was "a burning problem".

"There will be, to some extent, a budget deficit as the considerable increase in income [in 1995] cannot make up for the rapid increase in expenditure," Mr Ho Te, the finance minister, wrote in the official daily Vietnam News. He blamed construction projects and foreign debt payments for the spending increase.

Vietnam does not release figures on its budget deficit but economists say that as a percentage of gross domestic product it has been rising steadily since 1992. The country's cumulative trade deficit is about \$554m and bankers put foreign exchange reserves at between \$650m and \$800m. But Mr Te said spending next year would increase by 42.7 per cent over this year, under a budget passed by the current session of the National Assembly.

Jeremy Grant, Hanoi

Thai capital inflows up sharply

Net capital inflows into Thailand grew 196 per cent to \$11.65bn in the first nine months of 1995 compared with the same period last year, the Bank of Thailand said.

Most of the growth came from portfolio rather than direct investment. In the first nine months of 1994, net capital inflows were \$3.93bn. Portfolio investment in 1995 accounted for \$2.64bn, up 241 per cent over the same period in 1994.

Meanwhile, the country's Board of Investment said that in the first nine months of 1995 it had approved 863 direct investment projects worth over Bt354bn (\$14.2bn), compared with 755 projects worth Bt243bn in the same period last year. The greatest number of projects had come from Japan, followed by Taiwan and the US. In June Vietnam launched a programme of domestic treasury bond sales through domestic and foreign banks, designed to boost state coffers by soaking up an estimated \$2bn in domestic savings. It has had limited success so far.

Ted Bardacke, Bangkok

Bhutto's brother-in-law held

Mr Nasir Hussain, brother-in-law of Ms Benazir Bhutto, Pakistan's prime minister, was detained by police in the southern port city of Karachi shortly before he was due to board a flight to Dubai, a government official said yesterday.

Mr Hussain, who is married to Ms Bhutto's younger sister Sanam, was arrested for questioning in relation to the assassination of a politician at the weekend, police said.

Mr Ali Ahmed Soomro, a former member of Ms Bhutto's ruling Pakistan People's party, was shot dead by gunmen outside his home. Mr Soomro had become disgruntled with the PPP after failing to get a party ticket to run in the 1993 parliamentary elections. However, he did not join a dissident faction led by Ms Bhutto's estranged brother, Mr Mir Murtaza Bhutto. The exact motive for his killing was not clear.

Farhan Bokhari, London and agencies

Keating recalls US envoy

Mr Paul Keating, Australia's prime minister, yesterday recalled his closest and most valued adviser, Mr Don Russell, from his post as ambassador to Washington ahead of an expected tough re-election fight. Mr Russell was a key member of Mr Keating's inner circle during the 1993 election campaign, and left later that year to take up the US posting. He returns next month as Mr Keating's principal adviser. An election must be held by May. Candidates touted to replace Mr Russell include Mr John McCarthy, a former ambassador to Thailand and currently a deputy secretary with the Department of Foreign Affairs and Trade.

AP, Canberra

Unions isolate W Australia

Western Australia was set to be cut off from the rest of the nation today, as unions began a 24-hour blockade at midnight in protest at the state's government controversial "second wave" of industrial relations reforms. The blockade accompanies a 24-hour stoppage by unionised workers within the state itself. Public servants in federal, state and territory governments outside Western Australia will ban all communications with the state, preventing the processing of many legal and financial documents. Mail will also not be sent to or collected from the state.

Ansett Australia and Qantas, the two national airlines, have cancelled international and domestic flights, and trains bound for Western Australia are likely to be halted in South Australia. Some exports may also be disrupted, if port workers refuse to load or discharge cargo.

Nikki Tait, Sydney

Taiwan PM backs visit by Chinese president

By Bethan Hutton in Taipei

Taiwan's premier Lien Chan yesterday gave a cautiously positive response to an offer to visit by President Jiang Zemin of China, though the proposal was given a generally cool reception in Taiwan.

Mr Lien said: "We hope this attitude can build the opportunity for future cross-straits co-operation in many ways." Mr Lee Teng-hui, Taiwan's president, said only that he would ask the government to study the offer "rationally".

During a weekend interview with US media ahead of his planned visit to the US and meeting with President Clinton on October 24, Mr Jiang said he would visit Taiwan if Mr Lee invited him. He also said Mr Lee was welcome to meet him in China if he wished.

This is not the first time a meeting between the two presidents has been proposed, but the timing of the offer seems to indicate a retreat from the belligerent attitude China has taken towards Taiwan since Mr Lee's visit to the US in June. China subsequently conducted missile tests in the seas off Taiwan.

Mr Hansen Chien, a member of the ruling Kuomintang's central committee, said that rather than arranging a meeting between the two leaders, China should first show its sincerity by resuming lower-level cross-straits talks, cancelled by the Chinese side after Mr Lee's US trip.

Filipino-Chinese spread their wings

Edward Luce on a business community being allowed to come into its own

The recent offer by Thai-Chinese businessman Mr Albert Cheok to buy 38 per cent of Philippine Airlines appears, on the surface, to be an unremarkable development. The ailing privatised national carrier, which lost 1.7bn pesos (£42m) in the last financial year, is in dire need of a large capital infusion.

However, a closer look at the background machinations leading up to Mr Cheok's proposal suggests that something more significant is afoot. Mr Cheok, who has close connections to Bangkok Bank, owned by the Thai-Chinese Sophonpanich family, was requested to make the offer by the chairman of PAL, Mr Lucio Tan. Mr Tan, himself of southern Chinese origin, had at first asked Bangkok Bank to submit the offer.

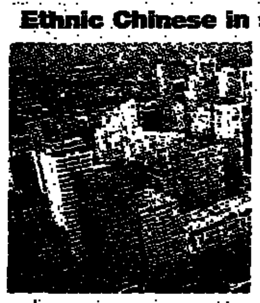
Mr Tan was prompted to seek an overseas Chinese backer for PAL after the government vetoed that plan. Mr Tan, who controls 67 per cent of the carrier via a majority stake in PR Holdings, which in turn owns two-thirds of PAL, is in dispute with government institutions with minority stakes in PR Holdings. They contest Mr Tan's right to speak for their stakes. The Philippine stock exchange commission ordered in March that Mr Tan's capital-raising plans be frozen until the dispute was resolved.

While the merits of the dispute are still to be decided, the wider point – and one which is not lost on the Philippine government – is that the Filipino-Chinese community is beginning to spread its wings.

Mr Tan, who along with five other Chinese-Filipino *taipans* formed, at the government's request, the Asian Emerging Dragons Corporation to lead the construction of a new \$2bn international airport, is not the only Filipino-Chinese looking abroad for ethnic partners.

Recent studies show that the Filipino-Chinese companies are achieving the kind of dominance of their local markets that their more established counterparts in Indonesia, Malaysia and Thailand have long been known for. Totalling only 1.8 per cent of the population – roughly 1.5m people – ethnic Chinese businesses control up to 60 per cent of the Philippine stock market's share value by market capitalisation.

Ethnic Chinese in south-east Asia: business-minded



	% of total population	% of total stock market capitalisation*
Philippines	1.8	50/60
Indonesia	3.5	73
Thailand	10.0	81
Malaysia	29.0	61

* Owned by ethnic Chinese companies

The business district, Manila

Source: 'Overseas Chinese Business Networks in Asia', East Asia Analytical Unit, Australian Department of Foreign Affairs, 1995

Mr Vincent Limlingan, a professor at the Asian Institute of Management in Manila and author of the book: The Overseas Chinese in Asean, says around one-third of the country's private assets are controlled by Chinese businesses. This share is growing.

"Filipino-Chinese businesses are by all accounts increasing their market share especially in the banking and real estate sectors," said Mr Limlingan. "They are also increasingly looking abroad for joint ventures with ethnic Chinese partners."

This has not always been the case. Between the 1950s and 1980s when Malay-Chinese businessmen, such as Mr Robert Kuok, the property dynamo, and Indonesian-Chinese, such as Mr Liem Soe Liong, owner of Hong Kong-based First Pacific, were expanding overseas, Filipino-Chinese were hemmed in by a heavily protected economy.

The Retail Nationalisation Act of 1954, which prevented non-Filipinos from operating in the retail trade which was then heavily dominated by ethnic Chinese, pushed Filipino-Chinese into other sectors such as finance.

It was not until 1986, when the nationalist strongman, Ferdinand Marcos, was overthrown by a peaceful revolution, that Filipino-Chinese got on an equal footing with their counterparts in other south-east Asian countries.

Subsequently, and particularly in the last three years since the start of the country's economic recovery, a new wave of Chinese-Filipino businesses has come to prominence. In the property sector, once the preserve of old Spanish-Filipino conglomerates such as Ayala Land, which still owns half of Makati, the capital's booming business district, Chinese companies are increasingly dominating the scene.

Mr Henry Sy, owner of SM Prime, which controls around 55 per cent of the country's shopping malls, is also a member of the Emerging Dragons Corporation. Mr Sy, whose Megamall is the third biggest indoor shopping centre in the world, has, like Mr Tan, invested in China over the last few years.

Companies such as SM Prime – which dominates the Philippine supermarket and department store sector – and Megaworld, owned by Mr Andrew Tan, which is one of the leading quality property developers in the Philippines but was only listed on the stock exchange last year, are the new star-performers on the Manila exchange.

"It is undoubtedly the case that the big Chinese-Filipino businesses like SM Prime and Metro Bank [the country's largest private bank, owned by Mr George Ty] are leading the country's economic recovery," said Ms Liza Echauz, an economist at La Salle Graduate School of Business in Manila. "Filipino businesses would do well to copy the Chinese style of informal credit networking and the stress on personal contacts," she said.

Mr Limlingan says that Filipino-Chinese businesses such as Metro Bank, which recently opened three branches in Taiwan and one in Beijing, and Metro Pacific, owned by the Indonesian Mr Liem and recent winner of the bid to develop a prime 214ha site in Manila at the unprecedented cost of 39bn pesos, are leading the country's drive to integrate with the regional economy.

Whether this indicates that Mr Tan will win his battle with the government for control of PAL is not clear. It is also unclear what will be the outcome of an investigation by the chief solicitor into allegations that Mr Tan has evaded taxes totalling 26bn peso over the last 10 years. The courts have already once thrown out tax evasion charges against Mr Tan because of lack of evidence.

However, the fact that Mr Tan was personally invited by President Fidel Ramos to join the Asian Emerging Dragons Corporation is evidence of the government's acknowledgement of his continuing importance to the Philippine economy.

LEGAL NOTICES

No. 006090 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
RADMID LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from £17,000,000 TO £13,318,562.

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006091 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN DEVELOPMENTS LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from £13,000,000 to [illegible].

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006089 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN HOMES LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from £77,000,000 to [illegible].

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

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Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006085 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN PROPERTIES (NORTHERN) LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from £10,000,000 to [illegible].

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006092 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN ESTATES LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from [illegible].

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

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Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006093 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN CARDIFF LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from £7,000,000 to [illegible].

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. [illegible] of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN PROPERTIES PLC
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share premium account [illegible] and cancellation of the capital redemption reserve of the above named Company.

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account and cancellation of the capital redemption reserve should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006086 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN INVESTMENT LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from £5,000,000 to [illegible].

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006087 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN PROPERTIES (PROVINCIAL) LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from [illegible].

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 25th day of October 1995.

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A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

No. 006088 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
REGALIAN PROPERTIES (COMMERCIAL) LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 29th September 1995 for the confirmation of the reduction of the share capital of the above named Company from [illegible].

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Dated the 17th day of October 1995

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

هكذا من الأجل

African bank to cut top managers

By Antonia Sharpe in London and Paul Adams in Lagos

The African Development Bank (AfDB) is to spend up to $20m shedding 240 jobs, or a fifth of its staff, from its top management under reforms designed to win back the confidence of its non-regional donors.

Mr Omar Kabbaj, the bank's new president who was in London yesterday to meet bankers and investors, said the redundancies would rectify the bank's "top-heavy" structure and "eliminate the political interference" within.

The job cuts, which remove a layer from the bank's management structure, will be made by the start of next year. Outgoing deputy directors include the wife of Mr Babacar Ndiaye, whose 10-year term as bank president ended in August.

The deputy directors provided support for Mr Ndiaye in his struggle with the executive directors, whose opposition to the president became public after an external report in 1994 revealed widespread mismanagement and forced his decision not to seek re-election.

According to directors, investigations found that 92 per cent of AfDB loans had not been audited and that there were no central files or appraisals for the bank's main projects.

Mr Kabbaj, elected at the end of August after months of political infighting among the bank's members, said the cost of the redundancy programme would be spread over three years. However, $15m would be recovered next year alone through a 15 per cent cut in the bank's expenditure.

Mr Kabbaj is trying to tackle the bank's management and financial problems swiftly to enable a capital increase to take place by the end of next year. He has ordered a review of the bank's procedures and practices, its governance and its lending policies.

The bank's non-African members – led by the US, France, Germany, Britain and Japan – are only likely to agree to fund an increase in the bank's share capital from $22bn to $33bn once a new ownership structure, tighter credit policy and stronger management controls are in place.

They also want to increase their share of AfDB's equity from 36 per cent to 49.9 per cent to give them greater control over the running of the bank. Talks on this are due to start next week.

Mr Kabbaj's reforms should allow talks to resume on the bank's African Development Fund (ADF), which used to provide $1bn a year in grants or soft loans to the poorest countries. The fund has not been replenished since 1992.

Mr Kabbaj said the bank would pay greater attention to the creditworthiness of borrowers and the quality of projects. He was also looking at ways to make it more difficult for countries to fall behind on servicing their loans.

Loans in arrears increased from $92m in 1990 to just over $400m in 1993 before falling to $376m in 1994. The improvement partly reflected the restructuring of loans to the Ivory Coast, Cameroon and Congo. About 80 per cent of the problem loans are concentrated in Zaire, Liberia and Angola.

Tunis lashes out at Islamist phantom

The young Tunisian businessman gets visibly nervous when the talk turns to politics. He admits the lack of freedom of expression is at times stifling, but "it is better this way," he says. "Otherwise they – the Islamists – would take over."

Yet in this island of stability between bloody Algeria and unpredictable Libya, there are no visible signs of Islamic fundamentalism.

Women are harassed for wearing the traditional headscarf and men keep their beards well trimmed. Fewer Tunisians now regularly go to mosques to pray. As one diplomat put it, more than three visits a week are treated as suspicious by the authorities.

Tunisia's Islamist Al-Nahda movement, which gained popularity in the 1980s, has been forced underground by President Zine Al Abidine Ben Ali, who threw thousands of its supporters in jail in the early 1990s.

Since then, the government has adopted a strategy of "preventive repression" aimed at people who are considered prone to Islamism. These include old friends and sympathisers and those who have helped the families of jailed Islamists.

Since Tunisians no longer dare speak their minds, it has become difficult to gauge the strength of what remains of the Islamist movement. But by continuing to warn of the threat, and convincing Tunisians the only alternative to the present system would be an Islamist state, Mr Ben Ali has managed to tighten his grip on power, perpetuating the virtual one-party rule the country has lived under since independence in 1956.

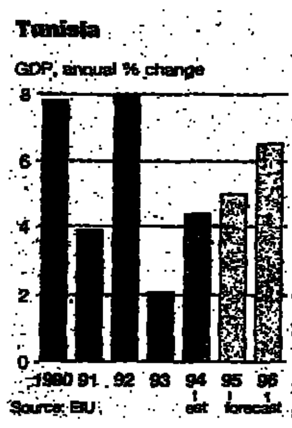
Newspapers are rife with stories of Islamist horror perpetuated in neighbouring Algeria. No matter that Tunisia's Islamist leaders in exile say they denounce violence, and domino theories of an Islamist Algeria spilling over into Tunisia are no longer regarded as credible.

Mr Ben Ali has been a champion of economic liberalisation, his policies culminating this year in the signing of a partnership agreement with the European Union for the creation of a free trade zone. But the more he opens up economically, the more he seems to close down politically.

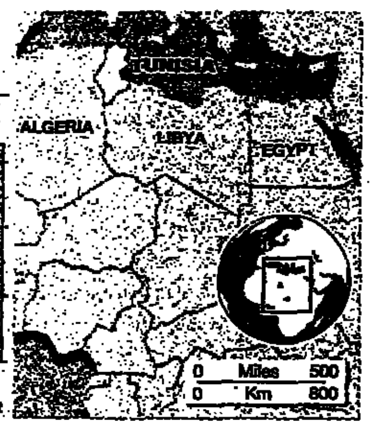
When the government clamped down on the Islamists in 1991 and 1992 even the opposition parties where happy to co-operate, purging their ranks of members who disagreed with this strategy. However, instead of building a secular opposition, the government's repressive measures have begun to reach the regime's old allies.

Even Tunisia's forthright women's associations, which were most vocal in their opposition to the Islamists, are now harassed for daring to ask for a semblance of political freedom.

Tunisia



Source: EIU



While most of the middle classes are happy to accept the government's arguments and concentrate on making money, some segments of society are beginning to question it. After applying to start a new political party, Mr Mustapha Ben Jaafer, who had been pushed out of one of the main opposition parties, was sacked suddenly from his position as chief of radiology at a Tunis hospital last month. The dismissal brought protests from the medical establishment.

The once friendly opposition, meanwhile, is starting to speak out. Last week, Mr Mohamed Mouadda, the leader of the Movement des Socialistes Democrates, the main opposition party and until now a government ally, was arrested for making public an unusually harsh letter to the president attacking the ruling Rassemblement Constitutionel Democratique.

"Democratic pluralism, as it exists today, serves only as a democratic decor offering a perverted image of the choice of society we have made," wrote Mr Mouadda. "This has the potential to engender today and in the future an indifference on the part of the population to both politics and national activity. Violence and extremism, it must be noted, find favourable ground in such a climate."

The official explanation for Mr Mouadda's arrest was that he had dubious foreign contacts and received funds from a foreign government, said to be Libya.

Mr Mouadda could no longer stay silent when promises of opening up the political system proved illusionary and the RCD carried almost all votes in municipal elections in March. This came after the opposition secured only 19 seats in legislative elections in 1994 against the RCD's 144. The opposition accuses the government of falsifying election results.

Tunisia's economic masters have ensured steady growth, reined in inflation and trimmed the budget deficit to a mere 2.4 per cent of gross domestic product. But unemployment is 15 per cent and businessmen say more young people could lose their jobs.

More than that, few believe the government's insecurity is justified. As one leading businessman puts it, if Tunisia held free elections today the RCD would win a comfortable majority.

Opposition members say they fear that by not allowing them to offer themselves as an alternative to the Islamists, the government is giving credence to the view that the opposition has to go underground.

"It is our role to say that we are a democratic alternative, that it does not have to be either the regime or the Islamists," says a member of the opposition. "The danger is that if a legal civil society is not allowed to flourish, radical groups will be able to regroup people and if Islamism is reborn, it will be of a more radical nature."

Roula Khalaf and James Whittington

WTO to step up war with disease

By Clive Cookson, Science Editor

The World Health Organisation, alarmed by the growing threat from new and re-emerging diseases, is to set up an early warning system and a rapid reaction force to tackle epidemics.

Dr Hiroshi Nakajima, WHO director-general, said yesterday: "Recent outbreaks [such as plague in India in 1994 and Ebola in Zaire this year] have shown that the potential of epidemics is vastly increased by the speed with which they are able to spread, through the unprecedented size, concentration and mobility of populations."

The WHO is setting up a division of emerging diseases to mobilise a global response to the problem. Its director, Dr David Heymann, said at least 29 new diseases had emerged during the past 20 years. "It is clear that outbreaks of disease anywhere must now be perceived as a threat to all countries and, despite many warnings, we are not yet fully equipped to contain them."

An important part of the WHO strategy is to set up a global surveillance network of laboratories equipped to detect rare disease-causing bacteria and viruses. The laboratories will provide an early warning of an epidemic.

The 1995 Ebola outbreak, which killed 245 people in the Kikwit region of Zaire, would have been diagnosed and controlled more quickly if an early warning system had been in existence. As it was, four months elapsed between the start of the epidemic in January and the identification of Ebola virus as its cause.

One reason for the delay was that the Zairean authorities sent initial samples to a European laboratory that was not equipped to diagnose Ebola; they had then to be sent on to the US.

The reaction teams will include medical experts from the WHO headquarters in Geneva and the US Centres for Disease Control.

INTERNATIONAL NEWS DIGEST

Hrawi term set to be extended

Lebanon's Syrian-backed government paved the way yesterday for a three-year extension of President Elias Hrawi's six-year term without elections, amid Christian protests that Lebanese democracy was dying. The extension of Mr Hrawi's term, which ends on November 24, has the blessing of Syria, which has 35,000 troops in Lebanon and is the country's main power broker. Damascus considers Mr Hrawi, 69, a reliable ally.

Parliament is to vote on Thursday on a constitutional amendment allowing the president to stay on. At present the constitution requires an election and forbids the incumbent from running. In a protest on Sunday, Maronite Patriarch Cardinal Nasrallah Boutros Sfeir said the extension undermined the credibility of Lebanon's laws.

Many Christians, who resent Syria's post-war control over their country, argue that there is no domestic crisis to justify suspension of presidential elections and that the authorities have given no good reason for doing so. *Reuter, Beirut*

Reprisal fears in Lebanon

Tension rose in south Lebanon yesterday amid fears of Israeli reprisals after Hizbollah guerrillas killed nine Israeli soldiers. The bombings were the bloodiest attacks in the south this year and brought Israel's losses for the year to 22 men.

Mr Yitzhak Rabin, Israeli prime minister, under pressure to retaliate, flew to south Lebanon for a third round of talks in five days with his military commanders in the region. Officials in Beirut said the Lebanese army went on alert in the south after unusual military movements in the border zone, held by Israeli troops, where the bomb attacks occurred.

Lebanese Prime Minister Rafik al-Hariri said his cabinet had discussed the situation in the south and had asked Mr Faris Bouez, foreign minister, to undertake the "necessary contacts" on the issue. *Reuter, Marjayoun, Lebanon*

Mealybug research wins award

A Swiss scientist credited with stopping a crop-destroying insect in sub-Saharan Africa was awarded the World Food Prize yesterday.

Mr Hans Herren, 46, heads the International Centre of Insect Physiology and Ecology, a research organisation covering several scientific disciplines. His work in Africa has focused on the insect that destroys cassava, which is the source of tapioca and the most important root crop for many African countries. The insect, known as the cassava mealybug, was introduced into Africa in the early 1970s with the import of high-yield South American varieties. Scientists say it thrived in Africa because it had no natural enemies. *AP, Washington*

Sithole remanded in custody

Mr Ndabaningi Sithole, 75, Zimbabwe opposition leader, was remanded in custody yesterday on charges of plotting to murder President Robert Mugabe and to overthrow his government. The magistrate said he had no jurisdiction to hear Mr Sithole's bail application, submitted by his lawyer, who argued that the leader of the small right-wing Zanu-Ndonga party would not abscond as he was on constant medication for high blood pressure.

The veteran politician was arrested at his home at dawn on Saturday by police investigating a Mozambique-based Zimbabwean rebel group linked to an alleged assassination and coup plot. Before he was escorted into the court packed with his supporters, Mr Sithole told reporters he believed his arrest was politically motivated. *Reuter, Harare*

Republicans close to agreeing tax plan

By George Graham in Washington

Congressional Republicans are putting the finishing touches this week to a sweeping package of tax changes, health care reforms and spending cuts aimed at fulfilling their promise to balance the budget in seven years.

The House of Representatives plans to debate changes to the Medicare programme, which provides health insurance to the elderly, before *rolling* these anticipated cost savings into an all-embracing "reconciliation bill" scheduled for debate next week.

In the Senate, meanwhile, the finance committee will start considering a package of tax cuts totalling $245bn over seven years tomorrow, after Republican members settled their differences over the size and timing of the cuts. Those tax cuts, too, will be rolled into the reconciliation bill.

Although the Republicans have worked through most of their biggest disagreements over the reconciliation package, party whips are still worried about issues from farm subsidies to oil exploration in Alaska.

While Republicans are still *solidly* behind the overall thrust of the reconciliation bill, losing two or three votes on each issue could leave them with no margin of error.

One of the biggest problems is the demand by some moderate Republican senators of guarantee of medical coverage for low income disabled people, even though the general guarantee for the poor is to be removed by an overhaul of the Medicaid programme.

Several governors, who will be given broader responsibility for Medicaid in their states, have opposed this guarantee.

Some House Republicans are also opposing the inclusion of fast track trade negotiating authority in the reconciliation bill.

But the biggest potential stumbling block appears to have been removed by Senate Republicans agreement on a package of tax cuts including a $500 per child tax credit for families earning up to $110,000 a year, a 50 per cent exclusion from capital gains taxes coupled with indexation for inflation for individuals, and a reduction in the capital gains *tax rate for corporations* to 28 per cent.

Many senators had originally opposed the inclusion of tax cuts until the budget had been brought into balance.

● *The US and the Netherlands* have signed a tax protocol that would phase out the remaining exemptions from US tax for the Netherlands Antilles, while still protecting Eurobonds issued before 1984.

Boost for Bouchard as Quebec referendum nears

By Robert Gibbens in Montreal

Pressing the flesh: Bouchard greets Montreal supporters

The charisma of Mr Lucien Bouchard, leader of the Bloc Québécois in Canada's parliament, has given a quick boost to the sagging campaign for Quebec sovereignty ahead of the October 30 referendum on the province's future.

Two polls taken shortly after Mr Bouchard took effective control of the pro-sovereignty campaign show he has already made a difference and closed the gap with opponents of the move.

A *Leger & Leger poll, taken* between October 8 and 12, gave the pro-sovereignty vote 49.2 per cent and the No vote 50.8 per cent. Before distributing the undecided, 45 per cent would say Yes and 42.4 per cent No, with 12.6 per cent undecided.

Its October 6 poll gave the Yes vote 47.2 per cent and the No 52.8 per cent.

A Gallup poll slightly later gave the No vote 53 per cent and the Yes 47 per cent. Before distributing the undecided, Gallup said 39 per cent would vote Yes and 43 per cent No, with 18 per cent undecided.

The Leger poll, closely watched by Wall Street, statistically tends to favour the pro-sovereignty camp while *Gallup* may favour its opponents.

Mr Bouchard took control of the Yes campaign two weeks ago after Mr Jacques Parizeau, Quebec premier, stepped aside. His goal of full independence had alienated many in the ruling provincial Parti Québécois. Mr Bouchard shifted the Yes campaign away from economic *minutiae, focusing on a* "partnership" with Canada.

Russia, Cuba in new sugar accord

Cuba and Russia have completed a series of protocols which they claim amount *to a* new stage in trade and financial relations between the two countries, Reuter reports from Havana.

A trade protocol for 1996-98 was signed on Sunday night by Mr Carlos Lage, vice-minister of the Cuban council of state, and Mr Oleg Soskovets, Russia's first deputy premier.

Mr Soskovets, who left Cuba after signing the accords, arrived in Havana a week ago heading a large delegation of government ministers, military officers, businessmen and bankers.

Cuba is to supply Russia with 1.5m metric tons of sugar in 1996 and receive in return approximately 4.5m tons of oil, under one protocol. President Fidel Castro has called oil "the Achilles Heel of the Cuban economy".

Mr Lage called the accords "transcendental" and said "Cuban-Russian economic and commercial relations have received an extraordinary boost".

Both officials said they had confidence the government *protocols would be carried* out, although neither country has as yet met its commitments for this year's deal swapping 1m tons of sugar for 3m tons of oil.

Other documents signed on Sunday, aim for closer collaboration between Cuba and Russian enterprises in the fields of tourism, transport and light industry.

For three decades prior to 1991, the Soviet Union was Cuba's main benefactor and trading partner. Since the *break-up of the USSR*, Cuba's foreign trade has fallen by more than 60 per cent and its oil imports have slipped from 13m tons a year to about 6m.

Another protocol prolongs a multi-million dollar Russian credit to preserve equipment at Cuba's unfinished nuclear power plant near Cienfuegos. It was announced Russia would raise over $300m of the *$750m needed to finish the* plant.

PRI torn by old and new

Daniel Dombey on the impact of a high-level defection in Mexico

Holding on, President Zedillo, left; defecting, Camacho; former president, Salinas, right

The monumental headquarters of Mexico's Institutional Revolutionary Party (PRI), which has held power for 66 years, tower over central Mexico City. The complex is dominated by heroic murals and a giant auditorium. *Its bookshop is stuffed* with tracts on structuralism and imperialism.

In spite of these trappings of the old left, the governments that the PRI has brought to office over the last decade have been among the most technocratic in the world.

But the job of holding together the PRI's improbable coalition of old-style politicians and US-educated economists may become more difficult after the departure last Friday of Mr Manuel Camacho in one of the highest-level defections in the party's history.

The PRI had already set itself the stiff challenge of becoming more of a modern democratic party and less of a support organisation for the president of the day, concerned with winning elections rather than shaping policy.

When Mr Camacho, once thought the PRI's likely candidate for the 1994 presidential elections, stepped down from the party, he warned that he would seek to form a new coalition to bring about greater change.

"I am in *favour* of real political change which would lead towards an advanced democracy," said Mr Camacho, who served successively as mayor of Mexico City, foreign minister, and peace negotiator for the conflict in the south-eastern state of Chiapas. "I am not in favour of cosmetic electoral reform which seeks to prolong the life of the regime artificially."

While PRI leaders brushed aside the practical consequences of Mr Camacho's resignation, the last comparable departures from the party, in 1987, led to the creation of a new political movement that *came close to taking former* PRI dissident Mr Cuauhtémoc Cárdenas to power in disputed presidential elections the following year.

Mr Camacho's own position within the PRI had been deteriorating ever since he was passed over by former President Carlos Salinas's decision to anoint another man as his successor. The recent publication of an old letter by current President Ernesto Zedillo, appearing to signal Mr Camacho as a political foe, weakened his position further.

"Finally we have a clear answer [from Mr Camacho]," said Mr Santiago Oñate, the head of the PRI. "But he had been out of the democratic process for quite a while."

Mr Camacho may find building a new political base harder than he might like. Despite the worst economic recession in recent memory, the PRI has held together. Although it lost to the right-leaning National Action Party (PAN) in three *high-profile governorship* races this year, the party has recorded victories in both the industrialised north and the poor south of the country.

In local elections in Chiapas last Sunday, most of the important results appeared to be split between the PRI and the PAN.

A new party leadership headed by Mr Oñate was brought in over the summer and hopes to strengthen the party's links with its traditional supporters. Furthermore, the left-wing opposition *Party of the Democratic Revolution* (PRD) appears to have rallied around its leaders in spite *of tensions earlier in* the year. As a result, talk that Mr Camacho would fashion a new party out of splinters from the PRI and the PRD has quietened down.

However, the PRI's commitment to carry out internal democratic reform adds uncertainty to the party's immediate future. It is unclear how a party that in the past has been held together by power rather than a clear ideology will be able to restructure itself on democratic lines.

"Camacho sees himself as a De Gaulle figure, waiting for the call *to* come as the country's political situation deteriorates," said Mr Lorenzo Meyer, a political specialist at El Colegio de México in the capital.

But while the PRI may be set for some rocky times, with congressional elections in 1997 its next great test, such is its record of success that only the *brave would bet against* the party retaining power into the next century.

Caribbean braced for big cut in aid from donors

The impending cut in foreign aid by the UK, following the US Senate's approval of reduced spending on foreign aid, will force several *Caribbean* governments to recast their budgets.

The UK and the US have been the main sources of foreign aid to Caribbean states, and the likely 12 per cent cut by Britain, and the move by the US, will stretch the weak economies of the region.

The cuts are not unexpected: aid levels have been falling in *recent years. Caribbean leaders* say the region, and other parts of the developing world, are suffering from "aid fatigue" in the donor capitals.

Moreover, having seen no benefits from the "peace dividend" – an increase in aid which they thought would have come with reduced defence spending with the end *of the cold war – Caribbean* leaders say aid cuts have coincided with growing uncertainty about the future of the preferential markets for commodities on which many of their economies depend.

"There has been a severe reduction in US aid to the Caribbean Community countries in recent years," said Mr Byron Blake, an *assistant* secretary general of the Community. "Last year it was 10 per cent of what it was 10 years ago. It has moved from $226m to $24m."

Caribbean countries have been getting about £65m a year from the UK and expect a 12 per cent cut next year.

Such cuts are shortsighted, contends one Caribbean leader. Industrialised countries that reduce foreign aid, seeing it as only assistance for developing countries, will damage themselves in the longer term, said Mr Manuel Esquivel, prime minister of Belize. "Assistance to developing countries by the developed world is not aid, but self-interest," he said.

"Developing countries are major importers of the developed world's products, and the money we get goes right back out to the donor country."

The Caribbean is also unhappy with aid flows from *the European Union*, the region's other main donor. Caribbean members of the African, Caribbean and Pacific (ACP) group, which has a trade and aid treaty with the EU, will get Ecu90m ($118.3m) in aid in the next five years, from a total package of Ecu13.3bn for the 70 members of the group.

There *is continuing concern*, however, that the EU has not taken into full account the recent expansion of the Caribbean membership of the ACP. Regional officials claim that although aid from the EU has increased, this has been less than the expansion in the Caribbean group's population from 6m to 20m with the admission of the Dominican Republic and Haiti.

Caribbean leaders say there is one acceptable solution, and dangerous possible consequences, to the reduction in development assistance. "While we have been getting *aid for years, what we want is* not so much aid, but trade," explained Mr John Compton, the prime minister of St Lucia. "We can do without aid, but we cannot do without trade."

Reducing preferential market access while cutting aid will do irreparable damage to the Caribbean's small and open economies, he said. While *fighting to prevent the dismantling* of their EU banana preferences which are under pressure from the US and Latin American banana exporters, Caribbean countries fear the loss of US and Canadian markets for a range of exports to a more competitive Mexico which benefits from membership of the North American Free Trade Agreement.

'Reducing preferential market access while cutting aid will do irreparable damage to the region's small and open economies'

The unsavoury consequences which some leaders say awaits Caribbean countries hit by cuts in aid is a rise in international crime, mainly drugs trafficking and money laundering. The eastern Caribbean is being increasingly *targeted* by Latin American cartels which want transhipment points to North America and Europe.

"Less money because of aid cutbacks and reduced earnings will lead to a reduced standard of living, and international crime might become more attractive," said a spokesman for the Trinidad *and Tobago* government. "Then the countries in the region will be asked by the metropolitan capitals to do more – to find more money – to fight this growing problem. The region could be caught in a cleft stick."

Mr Lester Bird, Antigua's prime minister, says while the Caribbean region is suffering from aid fatigue, some governments are trying to restructure their fiscal operations to deal with the shortfalls. "Caribbean countries are recasting their economic programmes, improv*ing* the *efficiency* of public administration, raising levels of fiscal discipline and doing unpopular things such as increasing taxes."

The days are long gone when a government could depend on an immediate injection of foreign assistance by saying it was threatened by "a gang of armed communists running around in the hills," he said.

Canute James

AMERICAN NEWS DIGEST

Haiti PM may agree to stay

Mr Smarck Michel, Haiti's prime minister, was reported yesterday to be reconsidering his decision to resign, following indications that foreign donors and creditors wanted him to stay.

Mr Michel last week told President Jean-Bertrand Aristide of his intention to resign after the president failed to back him *against harsh cabinet criticism of the government's* economic programme, particularly the divestment of nine state enterprises.

US Vice President Al Gore, who was in Haiti at the weekend to celebrate the anniversary of Mr Aristide's return to power after three years in exile, said the US would "greatly regret" Mr Michel's departure from the government. According to Haitian officials, this was taken as an indication that the US might reconsider planned aid to Haiti of $187m, leading other donors to rethink their assistance.

Implementation of the economic programme, which includes *widespread deregulation, will* unlock about $1bn in aid which has been promised to Haiti, one of the weakest economies in the Americas. *Canute James, Kingston*

US inventories grow

Inventories held by US businesses grew for the 17th consecutive month in August, the Commerce Department said yesterday, despite the biggest increase in total business sales in a year.

Stocks of unsold goods grew 0.4 per cent in August to a *seasonally adjusted $969.12bn* following a revised 0.5 per cent increase in July – with most of the August rise occurring at the retail level.

Previously, the department said inventories had risen by a smaller 0.3 per cent in July. Wall Street economists had forecast only a 0.1 per cent increase in August inventories.

Total business sales were up 1.5 per cent in August to a seasonally adjusted $686.09bn, the biggest increase since a 3.1 per cent rise in August 1994, department officials said.

Sales fell a revised 1.1 per cent in July instead of dropping 1.2 per cent as previously reported.

The report suggested an "inventory correction" needed to reduce piled up stocks of unsold goods from early in the year was proceeding slowly. *Reuter, Washington*

Threats to journalists remain

Democracy reigns over most of Latin America, but the region's journalists are still subject to threats, censorship and sometimes even assassination, according to the Inter American Press Association.

"Year after year, the association. . . during the course of its deliberations comes across what *can only be described as* killing fields," the Mr Raul E. Kraiselburd, association president, said opening the group's 51st general assembly on Sunday.

"No less than 153 journalists have been murdered in Latin America in the last five years. And in the vast majority of these cases, *the murders remain unpunished*," he said.

Journalists from some countries, however, reported improved conditions. "The general situation has got much better, but that's because – just up until two years ago – it was a nightmare of bombings, kidnappings, and murder," said Mr Enrique Santos-Calderon, deputy editor-in-chief of *El Tiempo* in Bogotá, Colombia. *AP, Caracas*

Roxanne sinks pipe-laying barge

Three people died and 23 were missing after a pipe-laying barge with 245 people on board sank in the Bay of Campeche in seas whipped up by Hurricane Roxanne, the US Coast Guard said yesterday.

The Coast Guard said two offshore supply boats and two construction tugs pulled 222 people from the water after the barge sank late on Sunday.

The sinking came as Hurricane Roxanne drifted just off the Mexican coast in the Bay of Campeche, its storm surges flooding seafront streets with waist-high water and winds downing trees. *AP, Campeche*

Family planning supported

US First Lady Hillary Rodham Clinton yesterday said the US had a "great stake" in supporting family planning in the Third World and asserted that such programmes help reduce abortions.

Family planning has been controversial in the US and conservatives in Congress are trying to eliminate funding for such foreign aid programmes. But Mrs Clinton, at a maternity hospital in northeast Brazil as part of a Latin American tour, defended the aid. She said the US "by investing in family planning *efforts [will]* bring down the rates of abortion all over the world, which is a very important goal for many people on both medical and other grounds". *Reuter, Salvador de Bahia.*

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 17 1995

IN BRIEF

Audit attacks Elf financial controls

An official audit by France's public sector watchdog has strongly criticised management and financial controls at Elf Aquitaine, the French oil group, in the period before its privatisation last year. Page 20

Banco Popular advances to Pta70bn
Banco Popular vindicated its claim to be Spain's most profitable banking group with an 8.7 per cent rise in January-September pre-tax earnings to Pta70.8bn ($580.7m), compared with the first nine months of 1994. Page 20

Kmart denies seeking creditor protection
Kmart, the US discount retailer struggling with heavy debts and an urgent restructuring of its business, said speculation it would seek protection from creditors while reorganising the business were "inaccurate and misleading". Page 21

Strong loan growth buoys NationsBank
Continued heavy borrowing by US consumers and companies supported a 23 per cent jump in net income at NationsBank, the North Carolina-based banking group, in the third quarter of the year. Chase Manhattan, meanwhile, saw earnings slip 7 per cent as its lending margins narrowed. Page 21

Securities houses' profits soar
Further evidence that recovery in financial markets in 1995 is continuing to lift US securities houses' results came in sharply higher profits from Bear Stearns and Smith Barney for the three months to the end of September. Bear Stearns' net income rose 164 per cent to $93.8m. Smith Barney raised operating earnings from $72.9m to $178m, a 144 per cent increase. Page 21

Compaq announces competitive drive
Compaq Computer has launched a bid to challenge the world's largest computer companies in the $50bn market for "enterprise-class" computers used to run information systems serving hundreds or thousands of users. Page 22

Farnell grows across all its markets
Farnell Electronics, the UK components distributor, reported a 25 per cent rise in half-year pre-tax profits on continuing operations from £28.7m to £35m ($54m) with strong growth across all its markets. Page 24

Groups risk losses in treasury functions
Many international companies risk incurring serious financial losses from their treasury operations, according to a survey by Price Waterhouse Management Consultants. Page 26

Fertiliser prices to continue swift growth
Fertiliser prices in the UK will continue to rise steeply over the next few months as manufacturing capacity shrinks in the face of stable demand, ICI, the country's principal manufacturer, said. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BHE	703.5	+	17
Falls			
Asko	790	-	62
Goldschmidt	600	-	20
Heidelb Zem	900	-	27
Kaufhof	458	-	21
Linotype	169	-	31
NEW YORK ($)			
Rises			
Citicorp	73¼	+	1¼
Hewlett Packard	85¾	+	1⅞
Texas Utils	35⅞	+	1¼
UAL	176¼	+	1¼
Falls			
Kellogg	73⅞	-	1
Kmart	9⅝	-	1½
LONDON (Pence)			
Rises			
DFS Furniture	349	+	14
Redrow	473	+	20
JJB Sports	448	+	18
Falls			
Boots	568	-	15½
Jones Stroud	400	-	25
Lloyds Chemists	228	-	9½
TORONTO (C$)			
Rises			
Hummingbird	53	+	3
Riverside For	19½	+	1¼
Falls			
Diamond Fields	22¾	-	1½
Franco-Nevada	75¼	-	2
Sceptre Inv A	78	-	2
Softkey Software	57½	-	2¼
PARIS (FFr)			
Rises			
Essilor	900	+	17
Falls			
Accor	564	-	22
Air Liquide	798	-	15
Bancaire Cie	463	-	16.8
Legrand	811	-	21
SILIC	668	-	25
TOKYO (Yen)			
Rises			
Ind Bk Japan	2920	+	80
Kirin Brewery	1040	+	10
Meiji Seika	587	+	12
Nippon Flour	487	+	7
Nippon Soda	531	+	22
Falls			
Kyocera	8100	-	30
HONG KONG (HK$)			
Rises			
Citic Pacific	24.6	+	0.7
HSBC	113	+	2
Hysan Dev	20.9	+	1
New World Dev	32.2	+	0.7
Wharf	28.3	+	0.7
Falls			
Hasco	18.6	-	0.5
BANGKOK (Baht)			
Rises			
Goodyear	234	+	8
Shinawatra Comp	632	+	12
Thai Sreshthkit	96	+	8.5
Falls			
Mutual Fund	574	-	20
Siam Sub	310	-	10
Siam Cement	390	-	12

New York & Toronto prices at 12.30.

Siemens and UK telecoms unit in venture

By Alan Cane in London

Siemens, the German electronics company, will this week announce a strategic partnership with Mercury Communications, the UK's second largest telecommunications operator.

On Wednesday it will announce it is buying a 75 per cent stake in the Mercury division which sells and maintains private exchanges and telephone handsets. The price has not been disclosed. Mercury will, for the present, retain the remaining 25 per cent holding.

Mercury, a subsidiary of Cable & Wireless, the UK-based telecoms group, has been trying to find a buyer for the division since it announced a restructuring programme a year ago following a sharp fall in profitability. The measures included 2,500 job losses and withdrawal from public payphones.

The Mercury division turned over about £97m ($150m) last year. It will be bought by Siemens' Private Communications Systems Group, which holds 10 per cent of the world market for private exchanges, telephones and facsimile machines. Last year, the Siemens division had sales of DM6.2bn (£2.8bn). It has a worldwide staff of about 23,000 and roughly 500,000 customers. It is number two in Europe to Alcatel, the French manufacturer, and has a 15 per cent share of the US market where it ranks third behind AT&T and Northern Telecom.

The deal will provide Mercury with a buyer for a division which is no longer central to its business strategy; it will extend Siemens operations in the UK where it is a minority shareholder in GPT, the UK's largest telecoms manufacturer. It represents further consolidation in the telecoms equipment manufacturing business where profits margins are under increasing pressure as equipment prices fall and competition increases.

Siemens has formed a number of partnerships worldwide. It has concluded agreements with IBM and Siemens Nixdorf, computer manufacturers, to develop computer-assisted telephony.

It has also signed an agreement with Apple Computer, IBM and AT&T leading to a partnership called Versit to develop standards to make it simpler to link computer and communications systems.

When Cable & Wireless publishes interim results next month, Mercury is expected to show a strong improvement.

Nucor expects to lift price of some grades of steel

By Richard Waters in New York

Nucor, the US steelmaker whose pricing policy generally sets the standards for the other producers in the US, expects to raise the price of some widely-used grades of steel soon, according to Mr Ken Iverson, chairman.

An increase, if implemented, would bring an end to the series of price cuts that have hit the industry this year, and help to relieve the pressure on the less-efficient steel producers who have seen their return to profitability stemmed by this year's price reductions.

In an interview, Mr Ken Iverson said a rebound in demand for steel had led to a "20-30 per cent increase" in the company's backlog of orders compared with earlier this year.

The renewed demand follows a lull in the second and third quarters of the year as US manufacturers cut production to reduce inventory levels.

Mr Iverson said the renewed demand was strongest in the market for cold-rolled and galvanised steel, the highest grades of sheet steel used in a wide range of products, including cars and appliances.

He said demand for lower-priced hot-rolled steel had failed to rebound as strongly, but he did not expect the price to fall much lower before it began to pick up again.

Though Nucor only accounts for about 6 per cent of flat-rolled steel shipments in the US, it operates the most transparent pricing structure among big US producers.

Its decision to raise prices of flat-rolled, or sheet, steel in March forced other steelmakers to follow suit and led to a round of increases.

The price of cold-rolled steel in the US has fallen to about $470 a ton, from $560 a ton early this year. Hot-rolled steel now sells at $335 a ton, down from $380.

Ms Michelle Applebaum, a steel industry analyst at Salomon Brothers, yesterday said stronger demand noted by Nucor was "consistent with that of the integrated mills, where we have seen bookings in the past two months at virtually the highest level ever for the period".

The traditional integrated mills are involved in all levels of the steelmaking process, beginning with the production of coke to fire blast furances. Minimill companies such as Nucor, on the other hand, use electric furnaces fed with scrap steel.

Inland Steel, one of the country's largest producers, yesterday recorded a 50 per cent fall, to $20m, in after-tax profits for the third quarter.

Veba to take 10% stake in online group

By Judy Dempsey in Berlin

Vebacom, the telecommunications division of Veba, Germany's industrial conglomerate, will acquire at least 10 per cent of Europe Online, the electronic information network due to be launched later this year.

"Veba is going to join us and will take at least 10 per cent," Europe Online confirmed. It refused to disclose how much Veba would pay for the stake. Veba yesterday would not comment on its plans but confirmed its interest in Europe Online.

The move follows a recent decision by another German company, the Springer publishing group, to acquire 10 per cent of Europe Online and a stake of more than 20 per cent in the company's German operations.

Europe Online, founded in Luxembourg last year, is owned by Burda, the German publishing group; Matra Hachette Multimedia of the French Lagadère group; Pearson of the UK which publishes the Financial Times; and some Luxembourg banks. The owners, along with other publishing and news agencies, will provide the content, which will be available in English, French and German.

To make room for Veba and Springer, some of the shareholders in Europe Online, notably Pearson and Matra Hachette, will each reduce their stakes from 13.8 per cent to below 10 per cent.

The inclusion of Veba will give Europe Online access to a choice of telecommunications facilities in Germany. Although the network is monopolised by Deutsche Telekom, the state-owned telecommunications group, Veba and other competitors will be able to provide online services on their own networks.

Europe Online will have to compete with the Internet. Another competitor will be a joint venture set up by America Online and Bertelsmann, the German media group, which is due to launch its online services later this year.

Europe Online said it was confident it could offer a competitive price to attract subscribers. It said customers in 90 per cent of the area covered by Europe Online would be able to link up with the network at local tariffs. Subscription rates have not been finalised but European Online said it would be charging about $10 a month.

Executive departures come as UK group tackles difficult issues

British Gas prepares fight from swamp

It is not an everyday event for one of Britain's leading companies to announce that three of its seven executive directors are to leave the company within the next few months.

So plenty of eyebrows were raised in the City of London yesterday when British Gas said just that, and described the departures as "part of an orderly, ongoing process of change", unconnected with its poor share price performance, and the controversy of the past year over its executive pay levels and patchy service standards.

The move was widely seen by investors as an attempt by the company to "clear the decks" of its remaining "traditional" executives – men whose careers developed inside a cosy, nationalised monopoly – as it tackles a host of difficult issues.

They are the first executive directors to leave the company since Mr Richard Giordano, the former head of BOC, took over as chairman in January 1994.

But Mr Cedric Brown, chief executive and Mr Giordano face an uphill battle to restore investor confidence.

"It is a pretty negative situation," said one institutional shareholder yesterday. "The company is in a swamp and I cannot see how they are going to get out."

Some analysts argue the weakness of the share price is due in part to a perception in the City of London that British Gas is not managed aggressively and is suffering from poor morale.

They think Mr Giordano should have focused more attention earlier in his regime on improving the management of the group, rather than his much publicised improvements in the executive pay structure.

However, more fundamental commercial and regulatory problems facing the company seem to be the main factor behind the weak share price. Mr Giordano, Mr Brown and other executives have recently made the rounds of key institutions explaining the position, and British Gas officials say big shareholders remain supportive, and are generally sympathetic to the company's plight in a market "which is being turned upside down" by regulatory and political forces.

The group's problems centre on the current surplus of gas, equivalent to about a third of national consumption, which has halved spot prices over the past year to below 10p a therm. The surplus emerged earlier this year as competition in the industrial and commercial markets over 2,000 therms intensified to the point where British Gas' share fell to less than 35 per cent.

British Gas is contracted to buy £15.4bn-worth ($24bn) of gas over the next five years from other North Sea producers under take-or-pay contracts. These require it to pay for the gas even if it has no market in which to sell it.

Informal talks have begun between British Gas and other big North Sea gas producers on the possibility of renegotiating the long-term contracts.

Institutional shareholders contacted yesterday said the current management could not be blamed for the contracts problem.

"You can't blame Giordano for that one, he wasn't there when most of them were negotiated," one leading shareholder said. But market sentiment towards British Gas had become increasingly negative because of concerns about whether the contracts dispute will undermine the company's dividend commitment.

"We are deeply concerned about it," one said. "If the contracts fiasco can not be worked out then who knows what they will be able to pay."

About 55 per cent of the gas the company receives is covered by contracts which were signed prior to British Gas' privatisation in 1986.

Most of the remainder is covered by contracts signed before the government said two years ago it intended to bring forward the timetable for introducing competition in the domestic market from 2002 to 1998.

British Gas executives say renegotiation will take a long time to sort out. They have, however, begun lobbying both the government and Ofgas, the industry regulator, to take early steps to ease the pressure on the company, which they say stems from the upheaval in the structure of the industry.

Executives would like to see the government drop the 4p a therm levy which it imposes on gas shipped from the older fields in the southern gas basin of the North Sea. Removal of the levy "could be the government's contribution" to easing solving the problem, said one senior British Gas official yesterday. If the company's lobbying efforts are successful it could mean an additional £200m in revenue.

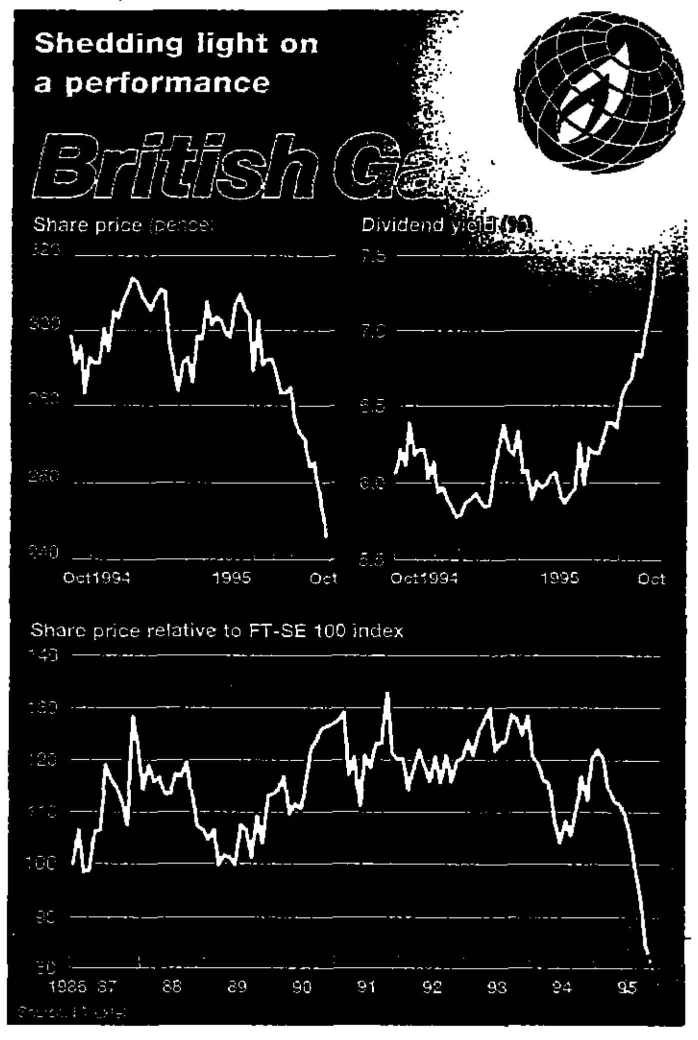
British Gas also wants the regulator to ensure that new entrants into the domestic market have substantial supplies of gas under long-term contract, rather than allowing them to rely on nascent spot markets for supplies.

The regulatory uncertainty also extends to an Ofgas price review for TransCo, the pipeline division which accounts for the bulk of the company's revenues. The pay controversy which has beset the company over the past year undermined its political clout, with some analysts decribing it as a "soft political target". One analyst said he feared that Ofgas "has the smell of blood now", and would become more aggressive to the company.

The complexity of such issues means there will be few "quick fixes" to shift investor sentiment. One senior British Gas executive said it could take as long as a year to reach clarification on the most vexing issues facing the company.

Lex, Page 18

Robert Corzine and William Lewis



Three leave in board shake-up

British Gas yesterday announced the departure of three of its seven executive directors in the biggest boardroom shake-up at the company since privatisation in 1986.

Mr Cedric Brown, chief executive, is now the only executive director left who worked for the company before it was sold off.

The company said Mr Russell Herbert had resigned and Mr Howard Dalton and Mr Norman Blacker, both executive directors, would "be retiring in due course".

The company denied speculation that Mr Brown was also about to leave the group: "Cedric is not going and he is 100 per cent committed to the company." The departure of three executive directors is being seen by institutional shareholders as a belated attempt to improve the company's financial performance and reputation.

Statoil to make £200m offer for Aran Energy

By Tim Burt in London

Statoil, the Norwegian state oil company, is today expected to launch a takeover offer for Aran Energy, the Irish oil exploration and production company, worth more than £200m ($310m).

The cash offer, ratified by the Statoil board yesterday, would trump a hostile £182m bid from Atlantic Richfield Corp (Arco) of the US.

Statoil officials, advised by Chase Investment Bank, discussed terms at the weekend with Aran, which last week rejected an increased offer of 69.4p a share from Arco. The US group initially offered 61.4p but raised its bid after Aran said the earlier offer undervalued its exploration potential.

Both Arco and Statoil have been attracted by Aran's unexploited reserves in the Schiehallion field off the Shetland Islands and its exploration acreage in the Atlantic margin. Statoil has also announced a joint venture with Aran to develop its Connemara field, west of Ireland.

The Norwegian group said the proposal, condemned by Arco as a "blatant attempt to frustrate" its bid, was part of a strategy to expand internationally.

Arco, however, has urged Aran shareholders to block the joint venture with Statoil and warned it would cut its takeover offer from 69.4p to 67.3p if they approved the plan at an extraordinary meeting later this month.

Analysts predicted Statoil would bid about 75p-80p a share for Aran, well below the 106p-a-share valuation provided earlier this month by SSI, the international oil consultants. Aran's shares closed up ¼p at 75¾p.

Background, Page 20

EUROPEAN NEWS DIGEST

Belgacom profits edge up in first half

Belgacom, the Belgian state telecoms company, yesterday reported a 6.2 per cent rise in turnover to BFr62bn ($211m) in the first half and a 1 per cent rise in net results from BFr5.6bn to BFr5.7bn, driven mainly by growth in the domestic and mobile telephone sectors. Pre-tax profits rose 17 per cent from BFr7bn to BFr8bn while operating profits before pension expenses increased 3.6 per cent from BFr19.6bn to BFr20bn.

After pension expenses, operating profits remained almost static at just over BFr10bn. Anticipating the effects of liberalisation, Belgacom said that "coming from a monopoly situation" it expected to lose some market share. But it said this loss would be compensated by increases in the existing market as well as international and multimedia initiatives.

Belgacom said net cash flow for the first half of 1995, including the endowment of pension provisions, had increased from BFr26bn to BFr27.6bn. Belgacom said the increase in turnover in the mobile telephone sector from BFr3.6bn to BFr5.6bn was the result of the development of the GSM network. However, there was slight drop in international telephone revenues. The company said the Belgacom Pension Fund, set up in July, would start paying pensions from January 1996. Belgacom pays pensions to about 9,000 retired employees each year. Pension provisions rose from BFr28bn last year to BFr39bn.

Separately, British Telecommunications and Bell Atlantic of the US confirmed they would not be making a joint bid for a stake in Belgacom, the Belgian state telecoms operator, because their "business objectives are not likely to be achieved".

The partners were thought to be unhappy at the cost and size of the stake and the possibility of labour unrest. BT was thought to be seeking a Belgian partner to help distribute its "Concert" services for large customers.

Caroline Southey, Brussels and Alan Cane, London.

Scania launches new range

Scania, the Swedish truck maker, yesterday launched its first new range of vehicles for 15 years. The group hopes the launch will consolidate its position as the world's most profitable company in its sector and open the way for a stock market flotation expected in the next few months.

The introduction of the 4-series heavy trucks, based on a new chassis, new electronics systems and a more aerodynamic and spacious cab, comes as Scania is achieving record profits on the back of rising demand for heavy trucks. In the first six months, truck and bus sales rose almost 50 per cent to 22,811 units, yielding a profit of SKr2.8bn ($402m). Mr Leif Ostling, chief executive, said he expected demand would remain strong in Scania's main European, South American and Asian markets, growing by as much as 100,000 trucks per year. Scania had built up production capacity to more than 50,000 vehicles a year.

The 4-series, which includes an all-new 12-litre, 6-cylinder, 400 horse power engine in its range of engine choices, cost Scania SKr3.5bn to develop on top of the SKr8bn "normal" development costs during the seven-year development period. The success of the new range is also important for plans by Investor, the main holding company of the Wallenberg family industrial empire, to float up to 75 per cent of Scania, possibly early next year. Latest analysts' estimates value Scania at up to SKr35bn.

Hugh Carnegy, Stockholm

Galeries Lafayette cuts losses

Galeries Lafayette, the French retailer, said it made a loss of FFr282m ($56.7m) in the first half compared with a loss of FFr508m a year earlier. Galeries Lafayette said it did not rule out the possibility of making a full year loss as a result of difficult economic conditions and provisions related to reorganisation.

AFX News, Paris

Paper company lifts earnings

Arjomari-Prioux, the French subsidiary of Arjo Wiggins Appleton, the Franco-British paper group, said first half net profits rose 15 per cent from FFr218m to FFr252n ($50.6m). Sales rose 14.4 per cent, from FFr12.4bn to FFr14.2bn.

AFX News, Paris

French watchdog attacks Elf financial controls

By John Ridding in Paris

An official audit by France's public sector watchdog has strongly criticised management and financial controls at Elf Aquitaine, the French oil giant, in the period before its privatisation last year.

The confidential report by the Cour des Comptes, cited by L'Expansion, the business magazine, attacked the absence of an adequate financial and investment strategy between 1988 and 1993. It estimated that lack of sufficient control of the oil group's subsidiaries and its diversification policy prompted losses of about FFr2.5bn ($521m) in ill-fated deals.

The report provides the latest charges of management failure at French public sector groups. It follows of official studies into the huge losses accumulated by Crédit Lyonnais, the state-owned bank which required a FFr135bn rescue package after making risky loans and engaging in an aggressive expansion strategy.

Officials at the Cour des Comptes declined to comment on details of the report, which they said had been submitted to the government in August. According to L'Expansion, it was strongly critical of the financial management of the company's subsidiaries at the time when the group was chaired by Mr Loïk le Floch-Prigent.

Mr le Floch-Prigent, appointed by the Socialist government of Mr Michel Rocard in 1989, was replaced as head of Elf in August 1993 by the conservative government of Mr Edouard Balladur. He moved from the oil company to become head of Gaz De France, the state gas utility.

Among the cases cited by the report are investments in Bidermann, the textiles group, and SGI, a property company. The investments prompted losses of more than FFr700m and FFr200m respectively, the report claims.

Elf made no official comment but indicated that Mr Philippe Jaffré had implemented a policy of rigorous financial controls since taking over at the group and guiding it through privatisation last year. He has set strict investment limits for the company's subsidiaries and sought to dispose of non-core assets and financial holdings. Almost FFr6bn was realised from such sales last year.

Mr Jaffré has also written down overvalued investments. Exceptional charges of FFr8.7bn, including such write-downs, contributed to a net loss of FFr5.4bn last year, the first deficit in the company's history.

Statoil looks overseas to quench thirst for reserves

Robert Corzine and Karen Fossli on the plans of the North Sea's largest producer

The interest shown by Statoil, the Norwegian state oil company, in acquiring Aran, the small Irish oil explorer, stems from its desire to expand its assets outside Norway.

In its 23-year history Statoil has grown from a purely domestic business to one with operations in 10 countries. However, if an agreed takeover of Aran emerges from the current negotiations it would be the first time Statoil has grown through acquisition.

In 1990 Mr Harald Norvik, executive chairman, set the ambitious goal of getting a third of Statoil's net supply of oil from outside Norway by 2010.

As well as independent projects in Thailand, Namibia, Venezuela and the Danish and UK sectors of the North Sea, Statoil has a strategic upstream partnership with British Petroleum, including projects in Azerbaijan, Kazakhstan, Vietnam, Nigeria and Angola. "But we are still open to buying a company with reserves or buying into producing fields," Mr Norvik says.

The driving force in Statoil's overseas push has been the prospect of declining domestic production, although technology will help it to recover more oil from existing reserves. Nevertheless, output from the Statfjord, Gullfaks and Oseberg fields in the Norwegian North Sea is set to decline steeply in the next few years. By 1998 output from the three giant fields could be half of 1994 levels.

The company expects overall production to fall from a peak of slightly more than 200m barrels this year to about 150m barrels in 2000. Promising international ventures are intended to offset some of the decline.

Mr Norvik says the deep water potential of Nigeria could determine whether the company meets its 2010 goal. Political complications could delay some projects, although Norway's positive reputation in many developing countries is likely to enhance its prospects of securing some projects. "In terms of access to (foreign) acreage we are ahead of targets," he says. The question is whether the company will be able to develop the acreage it has secured so far.

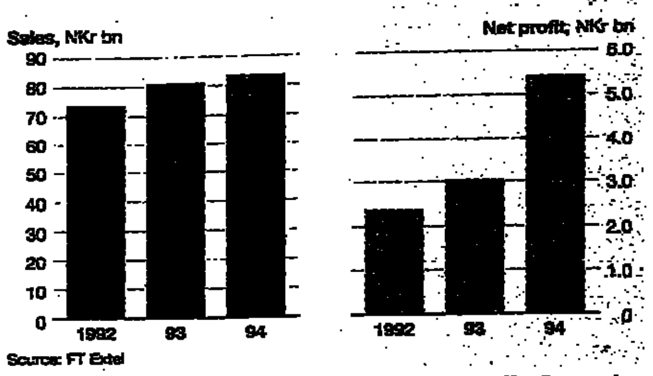
Critics of Statoil say it has only been able to reach its present position because of the favouritism shown to it and the two other Norwegian oil companies by Oslo. Statoil, Norsk Hydro and Saga have generally been given the dominant stakes in some of the country's biggest oil fields, while foreign companies have had to content themselves with splitting minority interests.

But in recent years Statoil has embarked on structural changes, expansion and an efficiency drive to bring it into line with international competitors. Although there are no plans for either whole or partial privatisation, annual valuation reviews will enable the government to measure Statoil's performance against that of its global peer group.

In the six years Mr Norvik has been in control, Statoil has evolved into a mid-tier international, integrated oil company. "Statoil has grown, changed and developed in a controlled way," he says. "It is not as I had hoped but not far from it."

Statoil

Harald Norvik
Executive chairman



Source: FT Extel

To put Statoil in perspective, the company is the largest North Sea producer and the world's third largest net trader of crude oil. In 1994, it traded a daily average of 1.6m barrels of oil. It is also the leading supplier of feedstock to Europe's petrochemicals industry, and the world's largest operator of shuttle tankers, with 37 ships in its fleet.

In recent years there has been substantial growth of Statoil's downstream operations, both domestically and internationally. It now has 1,900 petrol stations in 10 countries. But low refining margins and problems at key refineries have left the company with a low operating return on its downstream petroleum assets. The three-year average is estimated at 0.8 per cent, compared with returns for the exploration and production division of 21.8 per cent.

Part of the reason for the low returns can be traced to problems at two refineries. The Kalunborg condensate refinery in Denmark is expected to come onstream by the end of the year. But it has cost NKr3.1bn ($494m), nearly 30 per cent more than budget.

There have also been problems at the Mongstad refinery in Norway, although Statoil executives say it should be more competitive after a two-year improvement programme to cut annual operating costs by NKr375m.

"We are working on the structure of our refining operations to optimise the input of crude and the output of products to maximise the value of the business," says Mr Norvik. The company has also expanded its downstream gas assets. It owns a third of Alliance Gas in the UK – with BP and Norsk Hydro the other parties in the venture – and has 20 per cent of a 290km natural gas pipeline in Germany.

Last year its petrochemical interests were merged with those of Neste of Finland, after Mr Norvik decided "we could not develop the business on its own".

The focus in coming years will be on cost-cutting and improving efficiency. Capital costs have been cut, although the process has left some of the workforce dissatisfied. Statoil's future challenge, according to Mr Norvik, will be to reduce fixed operating costs on older platforms to prolong their productive lives.

The Aran acquisition may have little short-term impact on the company's reserves. But it would enhance its competitive position in deep-water areas which hold the best promise for new discoveries off the UK and Norway.

Market jitters as Gemina calls off merger

By Andrew Hill in Milan

The Italian stock market yesterday reacted nervously to the postponement of the controversial merger between Gemina, the investment company, and Ferruzzi Finanziaria (Ferfin), the holding company.

The separate decision to delay the refinancing of holding companies controlled by Mr Carlo De Benedetti, chairman of the Olivetti computer group, compounded the negative market reaction.

The real-time Mibtel index fell by more than 2 per cent against a background of political uncertainty and concern about the crisis at Gemina, which is controlled by Fiat, the automotive group, Mediobanca, the Milan merchant bank, and other members of the Italian business establishment.

Gemina decided late on Friday to postpone its planned merger with Ferfin, which controls the Montedison industrial group. It also decided to reshuffle its board in a reaction to Milan magistrates' deepening investigation of allegations of falsification of accounts at the group and its subsidiaries.

Mr Manfredo Manfredi, a senior executive at Barilla, the pasta group, was named new deputy chairman of Gemina, and Mr Francesco Varcasia, a business consultant, was appointed to the new post of chief executive.

Mr Manfredi should receive the first indication of the scale of the challenge facing him today, after a board meeting at RCS, Gemina's troubled publishing and media subsidiary, which is at the centre of the judicial investigation. RCS, which reported a group loss of L440bn ($274m) in 1994, and a further L276bn in the first half of this year, will examine its financial and trading position up to August 31.

The groups connected with the Gemina deal saw their shares fall sharply yesterday. Ferfin's shares slipped by nearly 6 per cent and Gemina's by more than 5 per cent. Shares in Fiat and Mediobanca, which is masterminding both the Gemina merger and the restructuring of Mr De Benedetti's companies, fell by 3 per cent.

Olivetti was among the few large stocks to hold up in a declining market. Banks decided on Saturday to provide the necessary guarantees for Olivetti's record L2,257bn share issue, although they refused to back simultaneous capital increases at Cir and Cofide, the two holding companies through which Mr De Benedetti controls the computer group. Shares in Cir and Cofide also fell yesterday.

Linotype shares fall on reports of restructuring

By Andrew Fisher in Frankfurt

Shares in Linotype-Hell, the loss-making German manufacturer of pre-press equipment for the printing industry, slid a further 15.5 per cent yesterday on reports that it is planning a capital restructuring.

The company denied the reports, however, and some analysts said a capital reduction – usually made to bring issued shares in line with lower turnover and shaky finances – was unlikely.

"There is no obvious pile of debt there," said one. "Life is difficult for them, there is no doubt of that, but that does not automatically mean a capital cut."

The shares closed in Frankfurt at DM169, a fall of DM31. They have dropped sharply this year as doubts about the company's prospects have been expressed and analysts have made a series of sell recommendations.

Writing when the shares were at DM325 at the end of May, Mr Tom Borland, an analyst with London stockbrokers ABN-Amro Hoare Govett, said: "Linotype's medium-term prospects do not justify the high valuation." Competition in the pre-press sector, transformed in recent years by computerisation, was intense.

In August, the company, in which Siemens owns a 38.3 per cent stake, reported a larger than expected 1995 first-half net loss of DM13.9m, against DM11.9m for the same period of 1994. It said a dividend for 1995 was "rather unlikely". Turnover was 10 per cent lower at DM446m.

The company said the strong D-Mark had reduced profits on foreign sales. Also, customers' reluctance to buy new equipment ahead of the industry trade fair in Düsseldorf in May had been greater than expected.

At the time of the announcement, Mr Michael Hagmann, a Frankfurt-based analyst with Union Bank of Switzerland, said there was little to stop the shares falling further. "Once again, Linotype has lost investors confidence," he said.

Banco Popular up in tough climate

By Tom Burns in Madrid

Banco Popular vindicated its claim to be Spain's most profitable banking group with an 8.7 per cent rise in January-September pre-tax earnings to Pta70.8bn ($574m), in line with projections, compared with the first nine months of 1994.

The bank, which has a large foreign institutional shareholder base, lifted third quarter attributable net profit after minorities by 4.9 per cent to Pta43.1bn and net interest revenue 6.7 per cent to Pta127.3bn. Operating income increased 10.9 per cent to Pta96bn, partly because of improved results from treasury operations.

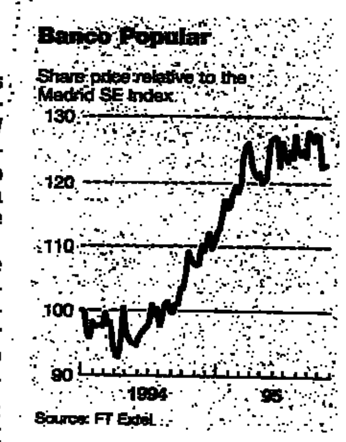
The third-quarter figures reflected Popular's ability to exploit the prevailing conditions of tight margins and restrictive monetary policies that have hit the results of rival institutions.

Over the first nine months the bank's shares have consistently outperformed the Madrid stock market index and, in particular, the rest of the banking sector.

Popular, which is a net lender on Spain's inter-bank market, has derived maximum advantage from the continuing high domestic interest environment and the upward pressure on the money market.

Analysts said the banking group was well on track to top Pta92bn in pre-tax profits for 1995, after Pta85.7bn last year.

Banco Popular



Source: FT Extel

The results at the nine-month stage emphasised the strong capitalisation of the Madrid-based group.

Average total assets were up 11.9 per cent year-on-year to Pta3,290bn and loans and discounts grew 10.8 per cent to 2,006bn.

Non-performing loans stood at 2.41 per cent of total risks, slightly up on the 2.33 per cent reported at the mid-year stage. But the ratio represented half the domestic sector's average and was well in line with Popular's characteristically conservative lending policy.

The coverage level of non-performing balances, factoring in mortgage-backed loans, stood at 120.1 per cent against 120.6 per cent at the end of June.

The bank reported a return on average assets of 1.89 per cent at the third-quarter stage, up on the 1.82 per cent posted at the end of September last year.

Strong loan growth boosts US banks

By Richard Waters in New York

Continued heavy borrowing by US consumers and companies supported a 23 per cent jump in net income at NationsBank, the North Carolina-based banking group, in the third quarter of the year. Chase Manhattan, meanwhile, saw earnings slip by 7 per cent as its lending margins continued to narrow.

The results came as a number of other US banks reported better than expected third-quarter earnings, buoyed by strong loan growth and continuing low levels of loan loss provisions. Costs generally rose only slightly, aided in part by a reduction in the premiums banks pay to the US's deposit insurance fund.

The latest figures confirmed that most US banks remain highly profitable. The pick-up in borrowing has more than offset the decline in lending margins of recent months, while credit quality has remained high.

US bank shares initially gained on the news, but slipped back later in the morning on profit-taking.

NationsBank after-tax profits of $530m, or $1.95 a share, compared with $431m, or $1.55, a year ago. Total loans and leases at the end of the quarter were 16 per cent higher than a year before, at $111bn.

The bank was forced to rely more heavily on wholesale funds, rather than deposits, for this growth, which contributed to a reduction in its net interest yield to 3.35 per cent, from 3.54 per cent a year ago.

Non-interest income, meanwhile, jumped by a fifth to $776m, because of higher mortgage servicing fees gained through acquisitions, as well as stronger revenues from capital markets activities and deposit fees.

Chase Manhattan registered a 6 per cent growth in loans, to nearly $65bn, although its net interest margin fell to 3.46 per cent from 3.74 per cent a year before. Overall, the bank's net interest income fell by $30m to $892m, a decline which was exactly matched by a $30m reduction in the loan loss provision to $70m.

Fee and commission income was 8 per cent higher at $494m, partly because of higher investment banking revenues, while trading income remained largely unchanged at $210m.

With costs up only 1 per cent from a year before, Chase reported after-tax profits of $283m, or $1.38 a full-diluted share, compared with $305m, or $1.48, a year before.

Among other banks to report results yesterday, First Chicago, Bank of New York and First Interstate all recorded earnings advances of more than 10 per cent.

First Chicago's after tax profits of $207m, or $2.12 a share, were up from $154m, or $1.51, due in part to a 10 per cent increase in net interest income to $375m on higher credit card borrowings. A 23 per cent jump in other revenues to $559m was fuelled by a rebound in trading income.

Net income at Bank of New York climbed to $234m, or $1.11 a share, from $194m, or 96 cents, on strong loan demand, including an 11 per cent increase in credit card outstandings.

First Interstate's net income was $670m, or $8.36 a share, compared with $522m, or $6.09, a year before, when it took an $86m after-tax restructuring charge.

Solid gains from Bear Stearns in first term

By Maggie Urry

Further evidence that the recovery in financial markets in 1995 is continuing to lift securities houses' profits was shown in sharply higher profits from Bear Stearns and Smith Barney for the three months to end-September.

Bear Stearns' net income for the first quarter of its fiscal year to September 29 rose 164 per cent from $35.5m to $93.8m. Earnings per share increased 191 per cent from 23 cents to 67 cents.

Bear Stearns said the period was notable for the stability of interest rates which had bolstered new issue volume of both debt and equity. Further mergers and acquisition activity was up.

Revenues, net of interest, rose 42 per cent to $618m. Principal transaction revenues jumped 51 per cent from $179m to $270m, largely reflecting a strong performance from fixed income trading.

Investment banking revenues rose 50 per cent from $58.4m to $87.4m, including a 61 per cent rise in fees from new equity issues and a 162 per cent increase in M&A fees. Employee compensation and benefits rose a third to $307m.

Smith Barney, part of the Travelers Group insurance company, raised third-quarter operating earnings from $72.9m to $178m, a 144 per cent increase. Revenues net of interest rose by a quarter from $1.14bn to $1.43bn. It also recorded a 50 per cent improvement in investment banking revenues from $161m to $248m as both new issue and M&A fees rose.

Its return on equity capital jumped from 12.9 per cent in the third quarter of 1994 to 28.9 per cent, while the pre-tax profit margin was up from 11.3 per cent to 21.1 per cent.

Smith Barney's jump in profits accounted for much of the advance recorded by its parent, Travelers. The insurance, stockbroking and consumer finance group reported after-tax profits of $481m, or $1.45 a share, compared with $331m, or $0.97, a year before.

Bristol-Myers extends deal with Ixsys

By Daniel Green

Bristol-Myers Squibb, the second-largest US drugs company, has signed its fifth biotechnology collaboration in 18 months in a $40m deal with privately-held Ixsys of California.

The arrangement takes the value of BMS's biotechnology collaborations in the past 18 months to $160m.

"We are committed to taking every measure to ensure a steady flow of innovative compounds from our research pipeline," said Mr Leon Rosenberg, president of the BMS Pharmaceutical Research Institute.

Under the terms of the arrangement, BMS will acquire rights to cancer technology being developed by Ixsys in exchange for a minimum of $18m, with the balance to be paid as research milestones are passed.

The Ixsys technology involves identifying substances called antigens which are able to attack members of a class of cancers called solid tumours.

The deal is an extension of an arrangement between the two companies in 1993 in which BMS paid Ixsys $10m over three years.

BMS is the main partner for San Diego-based Ixsys, which employs 45 people.

Ixsys said yesterday that it had "no immediate plans" for a public flotation of its stock.

Kmart denies seeking creditor protection

By Maggie Urry in New York

Kmart, the discount retailer struggling with heavy debts and an urgent restructuring of its business, yesterday said speculation it would seek protection from creditors while reorganising the business were "inaccurate and misleading". It said its "financial position is solid".

In spite of Kmart's statement, its shares fell $1⅜ to $10, a 12 per cent decline, after falling $¾ on Friday.

Less than two weeks ago, the group warned its third-quarter earnings per share would be "well below" the 4 cents earned in the same period of 1994. That day, its shares dropped $⅝ to $12⅞. Their high for the year was $16⅛.

Rumours that it would file for Chapter 11 bankruptcy were circulating in the stock market last Friday. Although Kmart attempted to quash them, an article in Monday's Wall Street Journal quoted Mr Richard Church, an analyst at Smith Barney, saying a Chapter 11 filing would be "an efficient way" of making changes at Kmart.

Mr Church later published a clarification saying he did not expect Kmart to file.

Mr Floyd Hall, the group's new chairman and chief executive, is to meet analysts and investors in the next few weeks to discuss Kmart's progress with its reorganisation plans.

In yesterday's statement, Kmart said it had raised $3.5bn through asset sales over the past 18 months, and had cut annual costs by $500m.

It said it had sufficient liquidity to cover the Christmas sales period, when retailers generally need extra cash to cover higher stock levels, and that it had "substantial additional debt capacity". Kmart said it was paying its suppliers on time and receiving merchandise as normal.

Kmart's interest cover is thin. In the first half of 1995, it had interest charges of $223m, which were not covered by pre-interest profits.

Even after a $124m credit from a pension curtailment it made a pre-tax loss from continuing operations of $21m. In the second quarter, the interest charge was $114m, leaving pre-tax income from continuing operations at $18m.

Earlier this month, Moody's Investors Service, the credit rating agency, said it was reviewing Kmart's debt for a possible downgrade.

Mobil eyes stake in Kazakhstan oil field

By Our Financial Staff

Mobil, the US oil and energy group, is understood have started talks with the Kazakhstan authorities about taking a stake in the Tengiz field, one of the world's largest known deposits of oil, which is jointly owned by Chevron and the government.

Although the field, close to the Caspian Sea, is believed to hold about 6bn barrels of oil, its current owners are tapping only a trickle because exports are effectively blocked by restrictions imposed by Russia, which controls all the existing export routes.

A consortium has been set up, comprising the Russian and Kazakhstan governments and the Sultanate of Oman, to build a pipeline connecting Tengiz with the Black Sea.

However, construction is stalled because Chevron has baulked at the terms offered to users, and investors have refused to participate without guarantees that the US company will use the facility.

Exploitation of Tengiz is also hampered by shortage of funds in Kazakhstan.

Pfizer third period beats expectations

Pfizer, the US pharmaceuticals group, said world sales of its cardiovascular drug Norvasc were $334m in the third quarter, up 59 per cent over the third quarter of 1994, Reuter reports from New York. Sales of its Procardia XL, another cardiovascular drug, were flat at about $292m.

The drugs are later-generation, long-acting calcium channel blockers. A US health agency issued a warning in August over possible adverse side effects from the use of some earlier version, short-acting calcium channel blockers.

Pfizer reported third-quarter earnings of $0.67 a share, up from $0.54 a year ago. The third-quarter earnings beat Wall Street's average estimate of $0.65 a share, according to a consensus compiled by First Call.

Mr William Steere, Pfizer chief executive officer, said the company's 26 per cent world sales gain was "driven overwhelmingly by volume increases".

Pfizer expects full-year sales of more than $10bn and said it was comfortable with analysts' net income estimates for the year of $2.45 to $2.50 a share.

AMERICAS NEWS DIGEST

Ameritech doubles in third quarter

Ameritech, the US telephone company, saw its third-quarter profits lifted by aggressive marketing and continued cost control. The group raised net income from $250.9m, or 46 cents a share, in the third quarter of 1994 to $512.5m, or 92 cents, this time on revenues which rose from $3.2bn to $3.4bn. Excluding exceptional gains for the latest quarter, net income was $464.3m, or 84 cents a share, while the exclusion of an after-tax restructuring charge of $168.2m would have given net income for the year-ago quarter of $419.1m, or 76 cents.

The company said growth was fuelled by a rise in lines to 18.8m, and a 47 per cent increase in cellular customers to 1.674m. For the nine months net income advanced to $1.59bn, or $2.88 a share, from $741.3m, or $1.35, last time on revenues of $$9.9bn, against $9.4bn. Excluding exceptional gains, net income for the period was $1.39bn, or $2.51 a share, while the removal of a restructuring charge for the previous period left net income at $1.24bn, or $2.26. *AP-DJ, New York*

Profits leap at Smurfit US arm

Jefferson Smurfit, the Irish paper group, said its US associate, Jefferson Smurfit Corp, reported third-quarter net profit of $74.4m, up from $5.8m in the previous year, boosted by higher product prices and increased operating efficiencies. In the nine months to September, net profit was $179.4m, against a loss of $66m in the previous year.

Although the slower pace of overall economic growth softened demand for corrugated containers, the US unit realised higher average prices for containers, folding cartons and newsprint compared with both the third quarter of last year and the second quarter of 1995.

The company made an additional $63.8m in net debt repayments during the quarter. In the year-to-date, Jefferson Smurfit Corp has used its improved cash flow to make $152m in debt repayments and to acquire the remaining 20 per cent interest in Smurfit Newsprint Corp that the company did not already own. *AFX News, London*

Amexco to keep banking arm

American Express has ended discussions about a possible sale of its wholly owned unit American Express Bank. The financial services company said the unit would create more long-term value as part of the company. It added that its objective now was to make the unit a more central part of the company.

Amexco said the bank had made a great deal of progress over the past few years and had a stronger balance sheet, an improved credit management process, stricter compliance programmes and a lower expense base. The company had been reviewing a possible sale after approaches from several large US and foreign financial institutions. *AP-DJ, New York*

Schering-Plough expects rise

Schering-Plough expects this week to report 1995 third-quarter earnings per share of $0.68 on sales up 14 per cent. The pharmaceuticals company said it expected full-year earnings to be slightly above $2.80. Mr Robert Luciano, chairman and chief executive, attributed the higher financial results to strong sales of the company's worldwide pharmaceutical products, and particularly of its Claritin (loratadine) non-sedating antihistamine line.

Mr Luciano said he was confident of "at least low-to-mid double-digit" earnings growth in 1996. On a continuing operations basis, 1994 earnings per share were 59 cents for the third quarter and $2.42 for the year. Third-quarter 1994 sales on continuing operations were $1.1bn. *Reuter, New York*

INTERNATIONAL COMPANIES AND FINANCE

Compaq mounts challenge to the giants

Group aims to become a leading force in enterprise computing, writes **Louise Kehoe**

Compaq Computer has launched a bid to challenge the world's largest computer companies in the more than $20bn market for "enterprise-class" computers. Such products are used to run information systems serving hundreds or thousands of users.

Compaq, the world's leading PC maker and supplier of PC servers for work group and departmental network computing, aims to compete with IBM, Hewlett-Packard and Digital Equipment in the lucrative midrange computer market.

Yesterday, Compaq announced products, partnerships and a strategic plan to begin its climb "up the computing ladder".

The company planned to create a "virtual corporation" through partnerships with software, computer service and other technology companies, said Mr Eckhard Pfeiffer, Compaq chief executive.

Eckhard Pfeiffer: plans to create 'virtual corporation'

This, he said, would enable Compaq to become a force in enterprise computing without taking on the heavy overhead costs of a large sales force, or building the support and software development infrastructure found at larger computer companies.

Compaq's product strategy is to build high power computers using the same Intel microprocessors used in its PCs. The first such product, introduced yesterday, combines four of Intel's fastest (133MHz) Pentium chips to achieve performance above that of an HP midrange system costing almost twice as much, Compaq said.

Fast hardware is, however, only one element of corporate computing systems. Software, support and consulting services are also vital selling points for large corporations.

To make up for its limited expertise in these areas, Compaq has allied with Digital Equipment. Digital's Multivendor Customer Services division will, with Compaq's independent dealers and resellers, provide Compaq customers with support services worldwide ranging from on-site engineers to 24-hour-a-day technical support lines.

Compaq plans to add a significant number of account managers to its internal sales force to work with customers on large projects, said Mr Gene Austin, marketing vice-president for Compaq's systems division.

Compaq announced a technology development partnership with Tandem Computers and Microsoft. Tandem, the leading supplier of fault-tolerant computer systems, will adapt its "ServerNet" technology – for sharing applications and data among multiple computers – to work with Intel-based servers such as the new Compaq computers.

By next year, Compaq expects to be able to offer customers this "clustering" technology to create "server arrays" – scalable systems made up of several servers with high-speed links to enable data to flow from one server to another.

Microsoft will adapt its Windows NT computer operating system to work with server arrays. New versions of other popular operating systems such as Unix and Novell's Netware will follow, Compaq said.

"We believe these announcements position us to compete, down the road, with any midrange vendor. We will go head to head with the likes of IBM and Hewlett-Packard," said Mr Austin. "This is the first big step; there will be many more over the next 18 months."

Competitors say it may take Compaq a lot longer to become a significant force in the midrange sector. "It is a very different market, a whole new culture for our Compaq cowboy friends," said Mr Duncan Campbell, Hewlett-Packard director of marketing for network servers.

Decisions about midrange machines costing about a million dollars are typically made at board level, compared with departmental level for PC servers for local area networks.

"The customer is a different person, it requires a different level of expertise in executive selling," said Mr Campbell. "It takes time to establish the relationships, to build the trust."

Whether Compaq's independent resellers are up to the challenge of selling enterprise class computers has yet to be seen. "Certainly a number of our resellers find the midrange market very attractive," said Mr Austin. Some, however, may not be well suited to the complexities of the corporate marketplace, he acknowledged.

Compaq will face tough competition, analysts predict, and not only from entrenched products such as IBM's AS/400 and HP's 9000.

Before the end of this year, Intel is set to launch a new generation of microprocessors, called Pentium Pro, or P6, which is twice as powerful as the Pentium.

To seed the market, Intel – already the world's largest manufacturer of circuit boards for PCs – is expected to build large quantities of Pentium Pro computers for resale by computer companies, including Compaq's competitors.

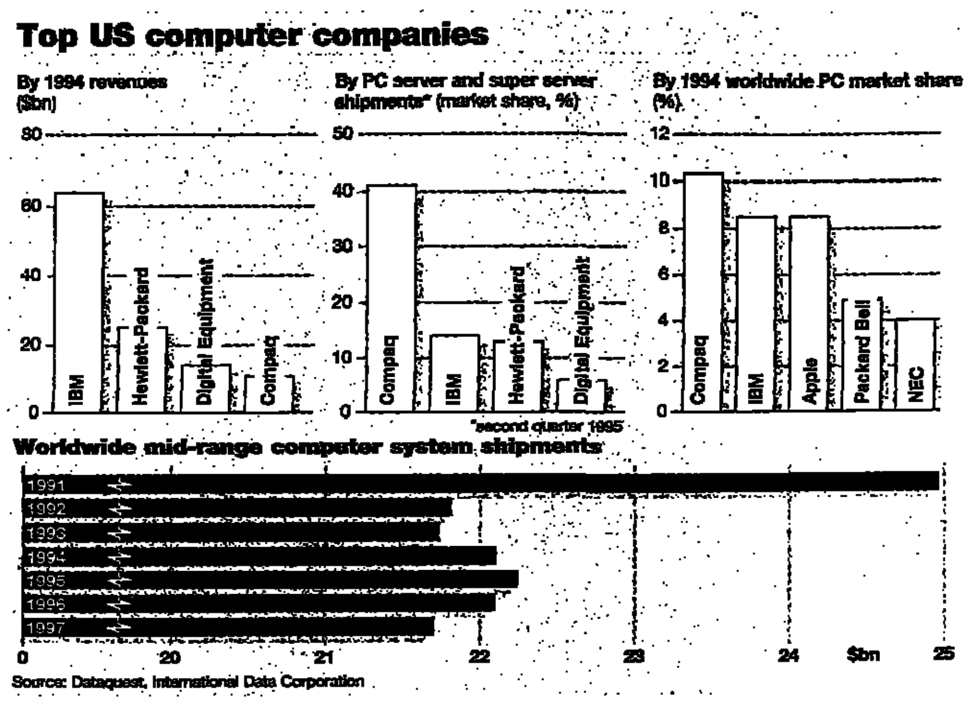
Although Compaq continues to build its product strategy on Intel technology, it is apparent that the long-standing technology partnership between the two companies has become strained.

Intel has paired with Hewlett-Packard in the development of P7, the generation of microprocessor chips to follow Pentium Pro in a year or two.

HP plans to use P7 as the base technology for all of its computer products. While Intel will sell the chips to all comers, HP will have first access to the new technology.

Thus Compaq, for all of its ambitious plans, may be forced to revert to its original role, following this time in the footsteps of HP.

As Compaq has proven by overtaking IBM in the personal computer sector, however, the first company out of the gate is not always the winner.



Source: Dataquest, International Data Corporation

New World share sale to raise HK$1.8bn

By Louise Lucas in Hong Kong

New World Development, the Hong Kong property, infrastructure, hotels and telecommunications group which this year announced a big restructuring, yesterday said it planned to raise about HK$1.8bn (US$234m) by spinning off its infrastructure investment arm in a separate listing.

The sale of 162m shares in New World Infrastructure (NWI) is part of the restructuring that will see the group divided into three separately listed entities. The international hotel operations, the company's third biggest income contributor, are to be listed in New York.

New World is Hong Kong's biggest corporate investor in China and mainland projects in the infrastructure arm include nine toll roads, three toll bridges in Wuhan and one power plant in Guangdong, the southern coastal province. In Hong Kong, the company has port and tunnel interests. NWI's interest in these projects is valued at HK$7.8bn.

Mr Henry Cheng, managing director of New World Development, said the new company would steer clear of any property development. "Investors will therefore be able to evaluate and invest in New World's infrastructure business, thus improving the transparency of the New World Group... Investors can separate New World's long-term and short-term investments to meet their own investment needs," he said.

The cash raising, one of the bigger exercises since the Hong Kong stock market moved into bear territory in early 1994, was announced on the day the benchmark Hang Seng Index hit a 13-month high of 10,009.28. New World's share price, which has been marching up in recent weeks, gained 70 cents to close at HK$32.20.

The NWI shares are being priced at HK$11-HK$12.75. Based on an issue price of HK$11.88, the net proceeds are estimated by New World to come to about HK$1.82bn, of which about one-third will be used to meet New World's capital requirements for projects and fund the second phase development of the Zhujiang power station.

Only 10 per cent of the shares will be publicly offered in Hong Kong; the remainder will be sold through an international placement. However, if the Hong Kong offering is two times over-subscribed an additional 5 per cent will be diverted from the international placement and be made available to domestic investors. There is an over-allotment option, allowing an extra 24.3m shares to be sold.

The share offer represents about 22.3 per cent of the enlarged share capital.

ASIA-PACIFIC NEWS DIGEST

Gengold registers 28.5% fall in term

Gengold, the gold-mining arm of Gencor, the South African mining house, yesterday reported after-tax income of R54.93m ($15m) in the quarter to end-September, a 28.5 per cent decline from the R76.86m in the previous quarter. Mr Tom Dale, managing director, described the outcome as "mixed", with "acceptable" results from five mines and "disappointing" figures from the other five.

Total gold production at 14,024kg was 2.8 per cent higher, but this was offset by a pay increase of more than 10 per cent for mine employees, and increased working costs at some mines. The price received was virtually static. Capital expenditure for the quarter was R43.9m, a decline of 7.7 per cent from the previous quarter.

Mr Dale said Beatrix remained the top performer in the group and was the lowest cost gold producer in South Africa, in spite of a rise in working costs to R25,182 a kilo from R23,059 a kilo. Winkelhaak had recovered well, with gold output at 2,328kg showing a 15 per cent rise and working costs per kilogram down sharply from R45,235 to R41,583. Oryx registered some improvement, while Unisel and Grootvlei both performed steadily. *Roger Matthews, Johannesburg*

Coles Myer plan endorsed

Mr Paul Keating, the Australian prime minister, yesterday joined the debate over corporate governance at Coles Myer, the country's largest retailer, by endorsing a break-up of the group. Last week, three institutional investors said they would oppose plans outlined by Mr Solomon Lew, group chairman, to turn Coles Myer into a handful of separately-listed companies.

"I've had no discussions with Mr Lew about the Coles Myer board problems or how he might resolve them," the prime minister told parliament. "But I have made very clear to him over the years that I thought Coles Myer was becoming too large a corporation, that would be better broken up and that it was becoming a competitive threat to retailing in Australia". *Nikki Tait, Sydney*

Media law change ruled out

Mr Michael Lee, Australia's federal communications minister, yesterday ruled out any changes to the country's Broadcasting Act to prohibit a potential merger of Foxtel, the cable-based pay-TV operator, and Australis, which also sells subscription services but uses MDS/satellite technology. Last week, Australis asked for its shares to be suspended, amid speculation there would be some form of merger between the two groups.

Foxtel is one of two cable-based pay-TV companies in Australia, and is a joint venture between Mr Rupert Murdoch's News Corporation and Telstra, the large government-owned telecommunications group. The other is the Optus Vision consortium. Any tie-up between Foxtel and Australis would require approval from the Trade Practices Commission, the anti-monopoly watchdog, and the Australian Broadcasting Authority.

However, Mr Lee said he believed "if we've got vigorous competition between Optus Vision and a Foxtel-Australis merged entity, I think that will still ensure that consumers are getting the lowest possible prices". *Nikki Tait*

Nippon Paper raises forecast

Nippon Paper Industries, the Japanese paper manufacturer, yesterday revised upwards its profits forecast for the current financial year to March, saying it now expected net earnings of Y25bn ($248.3m) on the back of a recovery in the market. The earlier forecast of Y17bn was more than three times last year's net profit of Y4.85bn.

The company still expects sales to total Y1,050bn, compared with last year's Y989.21bn. *Reuter, Tokyo*

Mayne Nickless lifts AME bid

Mayne Nickless, the Australian transport, security and healthcare group, yesterday appeared set for victory in its battle for control of Australian Medical Enterprises, the private hospital operator. When markets opened, Mayne lifted its bid for AME by 10 cents a share to 95 cents, an offer which rival European bidders, GSI, described as "a good one" and "more than we are prepared to pay". *Nikki Tait*

China link-up for Burns Philp

Burns Philp, the Australian food ingredients manufacturer, said yesterday it had signed a joint venture agreement with the provincial government of Shandong to operate a yeast plant in Yantai. The group has been manufacturing yeast in China since 1987 and has five joint ventures there, covering a total of six plants. *Nikki Tait*

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Chemicals having 'one of its better times' although cycle is slowing

ICI plans to double paint sales

By Motoko Rich in New Orleans

A soft landing is likely for the global chemical industry when its economic cycle turns down, according to Mr John Danzeisen, chairman of the North American division of Imperial Chemical Industries. "There are indications that the global chemical cycle will carry on for a while. I do not see that coming to a screeching halt."

Mr Danzeisen, who has been touring ICI's US operations, says that although the industry is enjoying "one of its better times", there are signs that "things are slowing down a bit". However, demand in some markets remains strong – for example, for titanium dioxide, a chemical used in pigmentation, polyurethanes, acrylics and films and which the group also uses in Klea, its replacement for CFCs, the ozone-depleting refrigerants.

"We are almost sold out of these products," Mr Danzeisen says.

The North American housing industry, Mr Danzeisen says, is one of the real strengths of the US economy, and the paint industry is seeing robust demand. The group plans to double sales in its global paints division within the next 10 years. Last year, paint sales totalled $3.25bn.

In North America, where the group recently paid $350m for Grow, the US architectural paints and coatings company, and $30m for Fuller O'Brien Paints, cost-cutting will add as much as $41m to base profits in 1997, Mr Danzeisen predicts. At acquisition, pre-tax trading profits of both businesses were about $30m.

When the group decided to buy the businesses, he estimated that cost-cutting would generate additional profits of $32.5m in 1997 and $41m in 1998. He now says the 1998 figure will be higher. The net present value of the cost-cutting at Grow and Fuller O'Brien had been estimated at $232m, but was now about 10 per cent higher as the group identified further trimming opportunities. It has already closed Grow's New York headquarters, which cost $9m a year.

Cuts in administration could add about $20.2m to the paint division's profits by 1998. The group will also close factories where ICI paints already has sites. It has already announce the closure of Grow factories in San Francisco and South Bend, Indiana, and one in Los Angeles is also likely to shut.

Abbey National ready to expand

By Alison Smith

Abbey National, the home loans and banking group, would lookout for suitable acquisitions following the turmoil in the retail financial services sector, Lord Tugendhat, chairman, said yesterday.

His tone contrasted with the stance Abbey adopted in July when the board of National & Provincial Building Society was recommending its £1.35bn ($2.1bn) offer and was said to be the last piece in Abbey's strategic jigsaw.

"With the industry in its present period of great change and turmoil, we will certainly be keeping our eyes and ears open and will be ready to take advantage of whatever opportunities may arise," Lord Tugendhat said yesterday.

Lord Tugendhat spoke as N&P explained how the £1.35bn would be distributed. Long-standing savers can choose cash, but others will receive Abbey shares.

In two respects it differs from the similar scheme announced by Halifax Building Society, for distributing value when it floats and becomes a bank.

Long-standing savers get not only a variable distribution, in cash and shares but – at £750 – a higher fixed distribution than borrowers and more recent savers, who should each receive Abbey shares worth £500.

Like Halifax the statement specified two set dates for assessing the balances in accounts which determine the size of the variable distribution in cash or shares. But N&P warned it might set other dates, perhaps without prior notice.

Waste Management decline disappoints

By Patrick Harverson

Waste Management International, the UK-quoted arm of WMX Technologies of the US, warned yesterday that the cost of an overhaul of its European operations may result in the company taking a charge against profits in the fourth quarter.

The warning came as WMI reported an 8 per cent decline in pre-tax profits from £43.1m to £39.6m for the three months to September 30. The results were below analysts' expectations, and the group's shares dipped 8p to 332p.

Mr Joe Holsten, chief executive, said WMI had begun a review of its operations and management structure to identify ways of reducing costs and improving profits, return on assets and cash flow. As a result of the review, Mr Holsten warned, the group "may assess a charge which will affect the results for 1995". However, he could not quantify the size of the charge.

WMI said its operational review would be completed by early 1996. Any restructuring stemming from the review could lead to its selling or withdrawing from some non-core businesses and projects.

Although third quarter revenues, buoyed by acquisitions, rose by more than 3 per cent to £299m (£288.8m), operating profit fell to £44.3m (£46.3m) as margins came under pressure from competition in the hazardous and solid waste markets. Conditions were particularly difficult in Italy and France and in certain segments of the hazardous waste market, while small improvements were noted in the UK, the Netherlands, Germany, Hong Kong, Spain and New Zealand.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beradin	6 mths to June 30	0.619	(0.486)	0.368	(0.204)	1.71	(0.75)	-	-	-	-	2.45†
Farnell Electronics	6 mths to July 30	264.6	(260.5)	71.3♥	(28.7)	38.1	(14.3)	4.6	Dec 4	3.8	-	9
Hewitt	6 mths to June 30	4.19	(4.19)	0.365	(2.34L♠)	1.9	(71.4L)	nil	-	nil	-	nil
Highland Dist	Yr to Aug 31	180.6	(175.8)	42.9	(42.5)	22.1	(21.9)	6	Jan 11	5.5	7.9	7.26
Olives Property	6 mths to June 30	1.28	(0.754)	0.339	(0.224)	0.49	(0.46)	-	-	-	-	0.3p
Padang Senang	6 mths to June 30	0.429	(0.263)	0.233	(0.067)	3.17	(0.65)	-	-	-	-	3.15
Singapore Para	6 mths to June 30	0.534	(0.342)	0.343	(0.146)	2.27	(0.78)	-	-	-	-	3.05††
Stanford Rook Φ	6 mths to June 30	-	(-)	0.273L	(-)	-	(-)	-	-	-	-	-
Waste Management	9 mths to Sept 30	875.6	(831.7)	111.6	(125.4)	18.7	(20.8)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Smaller	Yr to Aug 31 ★	269.7	(266.8)	0.839	(1.03)	5.74	(7.08)	4.25	Dec 29	4.25	5.75	5.75
London Smaller	6 mths to Sept 30	106.3	(98.1)	1.03	(0.663)	2.26	(1.45)	0.78‡	Dec 5	0.78	-	3.17

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. †Foreign income dividend. ♥After exceptional credit. ♠After exceptional charge. ††Including foreign income dividend of 2.4p. ΦAim stock. ★Comparatives restated. ‡Special of 0.33p also declared.

Higher whisky prices forecast

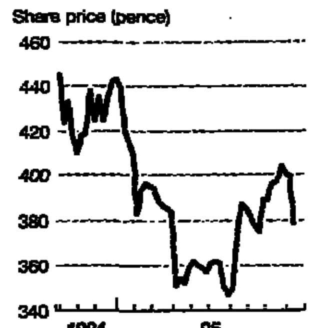
By Roderick Oram, Consumer Industries Editor

Scotch whisky prices will be higher this Christmas than last as distillers take a more realistic view of cost pressures, Highland Distilleries, maker of Famous Grouse, predicted yesterday.

Reporting a rise in pre-tax profits from £42.5m to £42.9m ($66.5m) for the year to August 31, Mr John Goodwin, chairman, said producers were becoming restive about the need for higher prices. The profits slightly undershot the most optimistic forecasts and Highland's shares closed down 12p at 379p.

Highland tried to hold the line on prices over the last 12 months, only to see Famous Grouse's premium over Bell's, the market leader owned by Guinness, widen from its traditional 50p a bottle to about £2.75 in the most extreme circumstances.

Highland Distilleries



The gap has narrowed markedly in recent months but Highland has paid a penalty in volume and market share. Sales by the trade to consumers had fallen 7 per cent over the past year although Highland sales to the trade were down only 2 per cent.

Famous Grouse's UK market share slipped to 13 per cent in June and July from 13.8 per cent a year earlier. The largest drop was in the Scottish pub trade and the overall decline had cost it £1m in profits, Mr Brian Ivory, chief executive, said.

The export picture was more positive, with volumes rising 10 per cent excluding an one-off timing effect on sales to France. The US, Greece, Thailand, and Sweden were among the strongest markets.

Single malt whiskies such as Highland Park and Bunnahabhain were "a major highlight" of the year, increasing their export volumes by 20 per cent and contributing nearly £2m to profits.

NatWest Ventures

NatWest Ventures, the venture capital arm of National Westminster, is stepping up its operation in Paris by acquiring Capital Privé, its joint venture partner in France.

The new company – NatWest Ventures France – will concentrate on leveraged buyouts of more than FFr50m.

Mr Jean-Louis de Bernady and Mr Benoît Bassi, the founders of Capital Privé, will be appointed president and director general respectively of the new company.

JIB disposal

JIB Group, the insurance broker, has sold a number of poorly performing US retail outlets to Alexander and Alexander Services for $48m.

JIB is a subsidiary of Jardine Matheson, the international conglomerate. Its US retail operations had pre-tax profits of £3m on turnover of £36m in the half year to June 30.

Hanson French buy

Hanson Electrical is moving into Europe with the FFr75m acquisition of a cordsets manufacturer based in Domfront, Normandy.

The vendor is Moulinex Group, which the new company, Marbo, will continue to supply.

Hanson Electrical has plants in Malaysia as well as the UK.

Trade Bank opens

HSBC Holdings, the banking and financial services group, and Wells Fargo, the US bank, have opened the Trade Bank, a joint venture announced in January.

California-based Trade Bank is the only nationally-chartered bank in the US devoted to international trade finance and is insured by the Federal Deposit Insurance Corporation. Its assets are $200m (£129m) including an initial $30m from Wells and $20m from HSBC. It has offices in San Francisco, Los Angeles and El Monte.

Farnell shows strength across all its markets

By Christopher Price

Farnell Electronics, the components distributor, yesterday reported a 25 per cent rise in half-year pre-tax profits on continuing operations from £28.7m to £35m ($54m) with strong growth across all its markets.

The group, which sold its manufacturing business for £81m in March, saw the first returns from two purchases made since then and said it was keen to make further acquisitions. Farnell has £70m cash in its balance sheet.

Turnover for the six months to July 30 increased 11 per cent to £252.9m (£228m), including a £3.1m contribution from Combined Precision Components, a specialist electronics distributor based in Lancashire, bought for £30.5m in May, and Spelec, a French electronic components distributor which cost £6.5m in April.

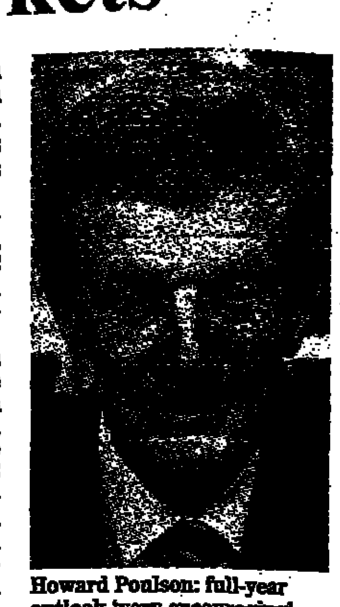
Mr Howard Poulson, chief executive, said the strength in Farnell's volume distribution business reflected the continuing buoyancy in the electronics industry.

In particular, there was firm demand for components from the personal computer market. The UK and French markets were strong, but German sales were below expectations.

The catalogue division, serving mainly small companies, had been bolstered by the CPC acquisition which had helped contribute to a strong UK performance.

The business has also been recently supplemented by the launch of new catalogues in Singapore and the US, although they were too late to affect the first half. The US business is based on a distribution centre in South Carolina and the new catalogue, which has 35,000 lines, would be supported by a sales force and a distribution system.

Mr Poulson said growth would be both organic and by acquisition, adding that the group was looking for electronic distributors in neighbouring states. He added that the outlook for the full year was very encouraging, although the £6m start-up costs of Singapore and the US would be included then.



Howard Poulson: full-year outlook 'very encouraging'

Pre-tax profit from the sale of the manufacturing arm of £35.3m made the full profit figure for the year £71.35m.

This produced earnings per share of 38.1p, although on an adjusted basis, the figure was 17.9p, compared with 14.3p last year. The shares rose 7p to 658p.

Smooth start claimed for alternative system to Aim

By Christopher Price

Trading in Ofex, the new trading facility set up succeed the Stock Exchange's Rule 4.2 market, has commenced smoothly, according to John Jenkins, the marketmaking firm behind the venture.

Over 5m shares have been traded in the first 10 trading days, a figure similar to levels experienced under Rule 4.2. The exchange terminated 4.2 in order to stimulate support for the Alternative Investment Market, which it intended to be the only viable junior market.

The exchange's other vehicle, the Unlisted Securities Market, is being wound down and is due to cease trading at the end of next year.

Fifty-nine companies with a market value of more than £1bn have joined Ofex, including Weetabix and National Parking Corporation. Aim, which was launched in June, has so far attracted 97 companies with a market capitalisation of £1.65bn. Nearly £30m has been raised by new companies to date.

Jenkins said that Syence Skin Care, which is due to join Ofex next week, will be the first to raise money on the new facility. The company, which specialises in beauty products, is raising £250,000 in a placing with institutional investors. Plans are also afoot to put Ofex on the Internet, probably in December.

RTZ sees large gain on Lihir investment

By Kenneth Gooding, Mining Correspondent

RTZ, the world's biggest mining company, paid only $19m net for its 17.1 per cent beneficial interest in Lihir Gold, a stake now valued on the Australian Stock Exchange at about $154m.

Lihir, which raised $450m via its recent flotation, is to develop a gold mine on Lihir Island, Papua New Guinea.

RTZ spent $157m on development work but has received $48m from Nuigini Mining and $50m from Vengold, its other partners in the Lihir venture, and $40m from the PNG government, which also has a 17.1 per cent shareholding.

Mr Chris Bull, finance director, stressed that the small net financial investment in Lihir did not indicate any lack of confidence in the project. Spending started in 1982 and the real cost to RTZ was $41m after inflation was taken into account.

He also pointed out that RTZ would manage the project on behalf of Lihir for about 10 years – at the insistance of bank lenders – and had its reputation on the line in that way.

Seamico Securities to buy Marlin Partners

By Roger Taylor

Seamico Securities, the Thai stockbroking and asset management company, is buying Marlin Partners, the London-based specialist Asian securities group.

The price has not been disclosed, but is substantially more than Marlin's net assets of $9.5m and will be satisfied one quarter in cash and three quarters in shares.

Seamico, listed on the Securities Exchange of Thailand with a market value of $85m, is one of the smaller Thai brokers. It obtained a seat on the SET only last month when the government granted membership to six new brokers. It previously operated as a sub-broker.

Mr Barry Aling, senior partner at Marlin said: "The deal makes sense for Marlin because, as a partnership, we do not have the resources to get membership of the SET."

Marlin has offices in London and Hong Kong and is a member of both exchanges.

Closure in Germany helps Hewitt

Hewitt Group, the industrial ceramics company refinanced late last year, returned to the black in the six months to June 30.

The closure of the cash-sapping east German operation, a marked turnround at the 50 per cent-owned Dutch associate and sharply reduced interest charges resulted in pre-tax profits of £365,000 ($566,000). The comparable loss of £2.34m took in an exceptional charge of £2.02m related to the German side.

In December Mr David Lees and Mr Ian Gowrie-Smith, former directors of pharmaceuticals group Medeva, were appointed chief executive and non-executive deputy chairman respectively, and the company launched a £4.6m rescue rights issue. In June it paid £3.25m for Keith Ceramic Materials, a manufacturer of sintered and fused mullites for the steel and ceramics industries.

Mr David Heynes, chairman, said yesterday that the time was right to expand the company's scope, both organically and through acquisition.

The interim dividend is again omitted although Mr Heynes said the company intended to seek approval to reorganise the share capital to enable pay-outs in the future.

COMMODITIES AND AGRICULTURE

Copper prices tumble as squeeze fears evaporate

By Kenneth Gooding, Mining Correspondent

Fears that the copper market was about to be squeezed and prices sent soaring proved groundless yesterday as speculators made enough metal available to ease supply tightness and send London Metal Exchange prices tumbling.

Copper for immediate delivery on the LME closed US$50 a tonne down at $2,772.50. The premium for immediate delivery compared with delivery in three months fell from $58 a tonne to $28.

Worries about a squeeze grew because in the last three days of last week this premium, known as the backwardation, jumped to $70 a tonne at one stage. Also LME copper trading increased markedly with turnover reaching 6.5m tonnes, equivalent to 70 per cent of annual western world production and the highest level for several months. There was also a rise, for the first time in weeks, in open interest, or uncovered contracts. That was accompanied by rumours that most of the 39,000 tonnes of copper in LME warehouses at Long Beach, California – more than 20 per cent of total LME stocks – had been sold to Sumitomo, the Japanese trading house.

Analysts pointed out that copper stocks were at almost critically low levels. That, coupled with heavy trading on the first and third Wednesday in each month caused by options activity, was bound to cause tightness in the market about that time.

"The market is tight and short of stock and this should have an impact on prices at some stage," said Mr Wiktor Bielski, analyst at Bain & Co, the Deutsche Bank subsidiary.

Mr Robin Bhar, analyst at Brandeis (Brokers), part of the Pechiney group, pointed out that, not only were stocks low, they were possibly not freely available either but being held by traders who had commitments to deliver physical metal. If it was a fact that a trading house had bought the Long Beach copper, this could have been in the ordinary course of business and "nobody would be pointing fingers if we were in a time of over-supply".

End seen to Alcan strike

By Robert Gibbens in Montreal

Alcan Aluminium is preparing to begin the two-week task of returning three of its Quebec smelters and an alumina refinery to production after a ten-day shutdown.

About 4,000 workers were expected to ratify yesterday a three-year contract recommended by their unions over the weekend. This contains changes to the 12.6 per cent package offered two-weeks ago by Alcan.

Neither the company or the unions would give details, but union leaders said Alcan accepted some changes on job security and job reorganisation.

Alcan shut down 480,000 tonnes of annual ingot capacity at the smelters when the workers walked out on October 6. That represented 30 per cent of Alcan's total Canadian capacity.

Wool International defends sales strategy

By Nikki Tait in Sydney

Wool International, the statutory body that is charged with disposing of Australia's large wool stockpile, said yesterday that it had "thoroughly reviewed the full range" of sale options open to it, but concluded "the existing commercial strategies remain the best method for achieve the short-, medium- and long-term goals in stockpile disposal".

WI has been heavily criticised by woolgrowers for continuing with its fixed schedule of stockpiled wool sales when the wool market, and wool prices, are falling sharply.

The slump is blamed largely on the absence of Chinese buyers. In particular, controversy has surrounded WI's policy of selling into the forward market, at discounts to "spot" prices.

Yesterday, however, Mr Dick Warburton, chairman of WI, said that sales of stockpile wool would "continue to be made both by private treaty and at auction". Half the required volume of wool for delivery this quarter had been sold, and a further 91,000 bales would be sold from stock over the next two months.

He reiterated WI's belief that a switch to a higher level of auction sales would not solve the problem. Some 75 per cent of stockpile wool offerings at auction during the past two weeks had been "passed in" at commercial reserves, he said.

The WI chairman added that the short-term situation for the market appeared "adverse". "Limited purchasing for shipment to China and poor orders to processors in Europe and Japan" had coincided with the peak for seasonal auction offerings.

Mr Bob Richardson, WI's chief executive, said last week, after the benchmark wool price fell below the critical 600 Australian cents/kilogram (clean) level, having topped the 800 cents/kg mark earlier this year, that many Australian woolgrowers were feeling "despair and frustration".

"We had reasonable prices for a few months last season for the first time in four years, and now we're back to where we were before," he commented.

Mr Richardson conceded that the problems were largely related to the absence of Chinese buyers from the market, but acknowledged that Australia had little choice but to live with Chinese volatility.

"[China] is the most volatile and unreliable customer we've got by a long way as a country, but it's almost our biggest customer. So we have to deal with that and that means we have to be able to handle volatility in the market," he said.

The Chinese departure from the market in the current selling season has been attributed to a number of factors – including earlier purchases of cheap wool from the former Soviet Union and new measures aimed at cracking down on Chinese importers' evasion of import tariffs on wool. China, Mr Richardson noted, was "an extremely price-sensitive market – they buy the cheapest wool they can and that's why they've bought so much wool from the former Soviet Union in the last year or so. The export trade to China has a serious problem now with Chinese customers reneging on contracts".

● Louis Dreyfus, the French commodity trader, announced yesterday it had gained membership of the Australian Wool Exchange, and planned to establish itself as an Australian wool merchant. It said it would trade through auction, private merchants and tender sales, as well as screen-based systems such as the Australian Wool Traders Association's "Woolink".

Fertiliser price rise 'to continue'

By Alison Maitland

Fertiliser prices in the UK will continue to rise steeply over the next few months as steady demand meets a fall in manufacturing capacity, ICI, the country's main fertiliser manufacturer, said yesterday.

The price of ammonium nitrate, which ICI produces, was likely to reach £145 a tonne by next spring, up 26 per cent from £115 at the start of the season in July, said Mr Stuart Beer, commercial manager for ICI Fertilisers.

Mr Beer said the decline in the rate of set-aside, from 15 per cent at the time of the European Union's 1992 common agricultural policy reforms to 10 per cent for next year, had been much more rapid than expected. As a result cereal plantings across the EU could rise by 1.5m hectares, potentially requiring an extra 600,000 tonnes of ammonium nitrate fertiliser.

Capacity cuts by the industry – in anticipation of falling demand – had gathered pace over the past few years, leaving a gap of just 700,000 tonnes between capacity and consumption compared with 2.6m tonnes two years ago.

Mr Beer also expected fertiliser use to hold steady or increase as farmers responded to high grain prices by attempting to increase yields.

International factors are playing a part in the rise in prices. Urea, the main form of nitrogen fertiliser used across the world, is becoming less available because of increasing demand in China, Asia and the US, and is thus helping pull up the price of ammonium nitrate, used in northern Europe.

At the same time, ammonium nitrate supplies are tight because Egypt and Romania are supplying their own markets, China is importing for the first time and high prices in France are diverting supplies from the UK.

The minimum import price established by the EU for Russian imports this summer has set a floor under prices. Dumping by Russia was blamed for a fall in the UK price to a low of about £95 two years ago.

The UK price is catching up with that in continental Europe, which is about £135 a tonne, said Mr Beer.

Restoring the balance of Sahelian agriculture

The subsistence system has broken down as population has increased, writes **David Dixon**

An agricultural revolution is being proposed for the driest zone of the West African semi-arid tropics. "It is certainly one of the harshest environments in the world and I might add it is one of the poorest in the world", says Dr Karl Harmsen, executive director of the Sahelian Centre, in Niger, which 13 years ago was given the task of breaking the downward spiral into poverty.

For centuries, farmers in the Sahel had a sustainable farming system. Millet and intercropped cowpeas were grown as the subsistence crops and livestock provided the cash. The system was logical for the region as there were large areas of rangeland and the animals were easily marketed.

That system is breaking down, however. The increasing population is putting pressure on the land, and the rangeland is decreasing and degrading. Thus fodder, particularly for feeding during the long dry season or for fattening animals, is increasing in value. Fodder such as cowpea hay can sell for more than millet grain.

This provides researchers at the Sahelian Centre with an opportunity to affect change which is, in a way, quite different from the traditional development strategies that have been applied in the past. The centre was set up by the International Crops Research Institute for the Semi-Arid Tropics, one of the CGIAR (Consultative Group of International Agricultural Research) centres, based in India.

Research has shown that the biggest constraint to increasing crop yields is not so much lack of rainfall as poor soil fertility. The situation is deteriorating further because farmers are no longer able to fallow their land for several seasons so that soil fertility can be restored naturally. Alternatively farmers could apply crop residues to build up soil organic matter; but the limited amounts available are needed for other purposes, such as roofing houses or feeding livestock. Fertilisers are not widely used: either farmers cannot afford them or they will not spend money on a crop that is grown just for their subsistence needs.

Past experience with groundnuts has shown that farmers will spend money on crops they can sell. So the new strategy is to invest a greater share of the farmer's resources into growing fodder cowpeas for the market. In the new system, farmers will grow millet and cowpeas separately, planting the cowpeas earlier than at present and fertilising them with locally available rock phosphate. Under that system, fodder cowpeas can produce five to ten times the present yield. Millet, grown in rotation with the fertilised cowpea, can double it's yield. The local, ground-creeping cowpea varieties are ideal for the system. They are simply harvested by rolling up the plants into dried bundles for stacking or loading on to camels for conveying to the market.

The extra yield of cowpea hay gives the farmer the chance to fatten more livestock or sell the hay to others who specialise in fattening animals. This provides the basis of a livestock fattening business, producing animals of greater value than those raised at the moment and leading to a larger trading system with the wetter regions further south, which have the comparative advantage for growing cereals.

Changing the system is dependent on fertiliser becoming available. There are local deposits of rock phosphate that can be exploited and the higher yields should be able to pay for the fertiliser. However, during the transitional phase there may need to be investment and support by governments. Another possible constraint that still needs to be researched is the effect on labour, especially for weeding. Traditionally cattle wander over newly planted millet fields, they eat the weeds but find the young millet unpalatable. Only when the animals are removed are the cowpeas sown, so planting earlier will mean herding the animals.

Dr Tim Williams, principal legume scientist at the centre, believes that the system meets many of the needs of the present farming system under the new population situation. "I think it has got the right ingredients for adoption; it has potential for sufficient change to be attractive to farmers without added risk to food security; it's focused on a commodity which has established markets already operating, and the technology is largely established."

Hibernia oil project passes milestone

By Robert Gibbens

The US$6bn Hibernia offshore oil project has passed a milestone with completion of the production platform's concrete gravity base in Newfoundland.

The topside modules, completed three months ago, will be joined to the gravity base early in 1997.

Tow-out to the well head, nearly 200 miles east of St John's, is due in mid-1997 and the first oil is expected to be pumped before the end of that year. Peak output will be 125,000-150,000 barrels a day.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1656-57	1692-93
Previous	1671.5-72.5	1706-7
High/low	1659/1655	1705/1688
AM Official	1655-55.5	1690-91
Kerb close		1691-2
Open int.	215,156	
Total daily turnover	138,068	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1415-25	1460-65
Previous	1430-40	1475-76
High/low	1420	1455
AM Official	1415-16	1460-65
Kerb close		1460-65
Open int.	2,990	
Total daily turnover	1,322	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	645-47	644.5-45.0
Previous	644-45	639-40
High/low	642/639	650/639
AM Official	638-39	640-41
Kerb close		646-7
Open int.	33,697	
Total daily turnover	12,765	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7785-90	7910-15
Previous	7835-45	7960-65
High/low	7790/7780	7930/6
AM Official	7735-40	7875-7880
Kerb close		7880-900
Open int.	45,442	
Total daily turnover	14,578	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6195-205	6260-70
Previous	6245-55	6305-10
High/low		6290/6250
AM Official	6200-10	6260-65
Kerb close		6260-80
Open int.	19,801	
Total daily turnover	7,476	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	965-66	989-90
Previous	974-75	997-98
High/low		1000/980
AM Official	9655-66	989-90
Kerb close		990-1
Open int.	82,808	
Total daily turnover	37,488	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2770-75	2746-47
Previous	2820-25	2764-65
High/low	2780/2765	2757/2738
AM Official	2765-66	2740-41
Kerb close		2752-3
Open int.	195,381	
Total daily turnover	107,983	

■ LME AM Official £/$ rate: 1.5755
LME Closing £/$ rate: 1.5760

Spot:1.5750 3 mths:1.5718 6 mths:1.5680 9 mths:1.5641

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	128.05	-0.55	128.10	127.80	1,145	125
Nov	127.85	+0.20	127.85	126.80	1,349	161
Dec	127.05	+0.45	127.20	125.30	21,091	6,269
Jan	126.05	+0.45	125.95	125.00	581	20
Feb	125.05	+0.40	-	-	419	-
Mar	124.05	+0.30	124.30	122.90	5,204	914
Total					35,396	7,684

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.80-384.10		
Opening	384.10-384.40		
Morning fix	384.00	243.624	441.216
Afternoon fix	383.85	243.668	441.159
Day's High	384.10-384.40		
Day's Low	383.50-384.10		
Previous close	384.00-384.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.02	6 months	3.89
2 months	4.01	12 months	3.88
3 months	3.85		

Silver Fix	p/troy oz.	US cts equiv.
Spot	341.70	538.35
3 months	346.15	544.20
6 months	350.65	550.00
1 year	359.95	561.60

Gold Coins	$ price	£ equiv.
Krugerrand	384-387	244-246
Maple Leaf	394.60-397.10	
New Sovereign	88-91	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	383.9	-0.3	-	-	320	12
Dec	386.1	-0.3	387.0	386.0	98,357	14,162
Feb	388.3	-0.3	388.9	388.1	23,467	1,571
Apr	390.7	-0.3	391.2	390.6	9,970	570
Jun	393.4	-0.3	394.0	393.3	12,330	618
Aug	395.9	-0.3	-	-	2,880	1,463
Total					181,223	18,558

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	412.0	-1.5	411.5	411.5	555	19
Jan	412.0	-0.5	414.0	411.5	20,974	1,212
Apr	412.5	-0.4	414.5	413.5	1,577	5
Jul	413.7	-0.4	414.5	414.5	1,499	6
Oct	413.9	-0.4	-	-	31	-
Total				-	24,638	1,242

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	139.45	+0.50	139.50	138.20	4,916	242
Mar	140.95	+0.50	141.50	140.25	1,003	1
Jun	142.20	+0.50	-	-	75	-
Total					5,994	243

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	532.2	-3.5	-	-	57	65
Dec	536.0	-3.7	542.0	535.0	60,185	9,037
Jan	537.7	-3.7	541.0	537.7	28	2
Mar	542.6	-3.7	547.5	542.0	12,291	325
May	546.8	-3.7	548.5	546.8	6,665	31
Jul	550.7	-3.7	-	-	6,466	76
Total					99,689	9,586

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	17.52	+0.11	17.56	17.35	54,270	36,847
Dec	17.30	+0.03	17.35	17.20	81,959	29,323
Jan	17.17	+0.02	17.21	17.12	45,892	9,248
Feb	17.12	+0.01	17.15	17.07	20,911	2,660
Mar	17.08	-	17.07	17.06	16,784	627
Apr	17.07	+0.01	17.03	17.03	12,690	1,499
Total					348,650	84,755

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	16.25	+0.02	16.40	16.25	20,752	16,351
Dec	16.09	+0.09	16.12	16.03	76,859	27,869
Jan	15.96	+0.08	15.99	15.92	28,787	3,714
Feb	15.87	+0.02	15.88	15.82	9,847	296
Mar	15.74	-0.06	15.81	15.74	6,440	439
Apr	-		-	-	3,418	524
Total					158,346	50,596

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	48.85	-0.07	49.15	48.45	36,563	8,380
Dec	49.40	-0.12	49.70	49.05	41,744	6,008
Jan	49.85	-0.12	50.15	49.65	35,717	2,194
Feb	49.80	+0.13	49.85	49.55	16,503	556
Mar	48.75	+0.23	48.85	48.70	6,562	131
Apr	47.70	+0.18	47.70	47.70	4,078	77
Total					168,128	18,040

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	146.50	-0.25	148.00	146.50	38,191	5,337
Dec	147.50	-	147.50	147.50	22,880	4,544
Jan	148.50	+0.50	149.50	148.50	20,122	1,334
Feb	148.75	+0.50	149.25	148.75	4,995	718
Mar	148.50	+0.75	149.25	148.50	3,581	10
Apr	147.75	+1.00	148.75	147.75	1,380	17
Total					98,489	11,922

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	1.710	-0.040	1.745	1.692	20,859	7,815
Dec	1.820	-0.057	1.870	1.800	25,694	2,303
Jan	1.878	-0.036	1.905	1.860	23,939	1,411
Feb	1.826	-0.023	1.850	1.815	11,987	589
Mar	1.775	-0.008	1.780	1.760	8,846	316
Apr	1.700	-0.012	1.710	1.700	5,801	82
Total					136,459	12,881

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	50.45	+0.16	50.75	50.20	23,563	9,314
Dec	49.30	+0.08	49.45	49.10	18,896	5,237
Jan	49.30	+0.08	49.45	49.20	8,096	2,022
Feb	49.75	+0.10	49.85	49.70	3,164	184
Mar	50.15	+0.13	50.15	50.15	1,884	277
Apr	53.05	-0.35	-	-	2,758	528
Total					61,968	17,581

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	116.85	+0.65	116.85	116.05	1,558	353
Jan	119.25	+0.85	119.25	118.75	1,887	57
Mar	121.25	+0.85	121.25	120.50	1,313	41
May	123.15	+0.70	123.25	122.50	2,052	36
Jul	124.50	+0.60	-	-	74	-
Sep	106.40	-0.10	-	-	6	-
Total					6,921	487

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	497½	+11¼	498	488½	57,572	11,194
Mar	504¾	+10½	505½	497	28,490	4,829
May	475	+9¼	476	467	3,123	251
Jul	428	+7½	429½	421½	10,531	1,317
Sep	429¼	+7¼	429¼	425	837	116
Dec	438½	+8½	439	431	445	92
Total					101,001	17,799

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	327/6	+2/4	329/6	326/0	228,481	38,181
Mar	334/0	+2/0	336/4	332/6	153,325	14,610
May	335/0	+1/4	338/0	334/4	25,283	2,972
Jul	332/6	+1/4	335/4	332/2	43,676	3,388
Sep	297/0	+0/2	298/2	295/6	5,500	612
Dec	279/0	+0/2	280/6	278/4	18,905	1,664
Total					475,821	61,597

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	107.85	-0.10	107.75	107.80	574	26
Jan	110.40	-0.25	-	-	710	-
Mar	113.40	+0.65	-	-	576	-
May	115.20	-0.10	-	-	146	-
Sep	104.00	-	-	-	-	-
Nov	107.00	-	-	-	-	-
Total					2,006	26

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	658/4	+3/2	662/0	654/6	75,983	26,709
Jan	667/0	+3/4	672/6	665/0	38,777	9,100
Mar	678/4	+3/4	681/6	674/4	18,472	4,356
May	681/6	+3/2	687/0	680/4	8,474	1,598
Jul	686/6	+3/0	691/4	686/0	9,795	935
Aug	686/4	+4/0	687/0	683/4	163	4
Total					162,803	43,534

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	26.57	-	26.70	26.55	1,328	1,075
Dec	26.70	+0.09	26.87	26.66	41,696	17,527
Jan	26.84	+0.10	27.05	26.80	12,833	2,430
Mar	27.06	+0.13	27.28	26.98	10,591	1,702
May	27.25	+0.11	27.40	27.20	5,229	502
Jul	27.37	+0.15	27.45	27.35	3,356	230
Total					76,478	23,553

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	198.6	+0.9	200.0	198.0	1,721	683
Dec	201.5	+0.9	203.4	200.6	47,848	9,553
Jan	202.6	+0.6	204.5	202.2	13,377	2,674
Mar	204.3	+0.4	206.4	204.0	9,268	1,696
May	204.4	+0.7	205.8	204.0	5,121	734
Jul	205.3	+0.5	207.0	205.2	3,865	269
Total					82,679	15,665

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	188.5	-7.5	-	-	3	-
Mar	260.0	-	-	-	-	-
Apr	270.5	+0.4	270.5	267.0	1,128	110
May	312.5	-	-	-	6	-
Jun	360.5	-	-	-	-	-
Total					1,137	110

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	1651	-32	1666	1650	597	22
Nov	1600	-35	1610	1590	494	45
Dec	1570	-50	1585	1570	132	8
Jan	1595	-36	1600	1585	1,102	54
Apr	1590	-25	1590	1575	916	32
Jul	1473	-25	1473	1450	181	11
Total					3,532	173

	Close	Prev
BFI	1731	1745

Tea
There was strong general demand this week reports the Tea Broker's Association. Quality Assams sold well around 160p/209p/kg, others were fully firm to dearer. Brightest East Africans again met active competition at fully firm to dearer rates. Coloury mediums tended dearer particularly better liquoring types, although plainer sorts were irregular. The few bright Ceylons were strong and substantially dearer. Offshore only fair demand at lower rates. Quotations: best available: 209p/kg, good: 150p/kg, good medium: 124p/kg, medium: 89p/kg, low medium: 74p/kg, highest price realised this week was 209p/kg for a north Indian pf.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	903	+6	905	897	25,055	1,588
Mar	935	+7	938	927	32,449	1,449
May	951	+4	951	947	15,027	158
Jul	967	+6	968	968	4,290	21
Sep	987	+8	987	985	20,839	43
Dec	1004	+6	1004	1002	5,808	24
Total					109,965	3,305

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1304	+32	1307	1276	27,747	1,310
Mar	1333	+30	1335	1307	20,956	1,011
May	1355	+30	1355	1344	8,828	23
Jul	1375	+30	1376	1369	3,556	26
Sep	1399	+33	1399	1387	6,202	1
Dec	1427	+29	1429	1419	6,020	50
Total					73,389	2,421

■ COCOA (ICCO) (SDR's/tonne)

Oct 13	Price	Prev. day
Daily	919.49	921.19

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	2418	+64	2430	2350	10,110	2,101
Jan	2365	+79	2370	2285	9,826	2,602
Mar	2308	+72	2317	2250	4,590	1,604
May	2263	+83	2255	2210	2,339	1,471
Jul	2220	+80	2175	2175	435	3
Sep	2188	+88	-	-	286	-
Total					27,586	7,788

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	125.80	+3.85	128.90	123.80	16,478	5,180
Mar	123.15	+3.65	123.90	121.50	9,115	1,255
May	122.20	+3.70	123.00	120.50	2,415	124
Jul	122.65	+3.15	122.75	120.50	492	24
Sep	121.75	+2.85	121.75	120.50	302	1
Dec	121.75	+2.85	-	-	58	-
Total					28,865	6,584

■ COFFEE (ICO) (US cents/pound)

Oct 13	Price	Prev. day
Comp. daily	119.52	117.12
15 day average	117.49	117.67

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.95	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	350.8	+1.3	350.5	345.0	8,219	577
Mar	325.8	+1.0	325.9	323.5	12,175	584
May	320.3	+1.3	320.0	318.0	3,783	152
Aug	317.5	+0.7	317.7	315.0	1,992	215
Oct	287.8	-1.2	288.0	288.6	2,044	139
Dec	283.8	-3.0	285.5	285.0	846	60
Total					28,989	1,727

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.61	-0.01	10.67	10.45	67,366	6,838
May	10.55	-	10.59	10.45	18,381	576
Jul	10.48	+0.01	10.51	10.40	12,751	339
Oct	10.42	-0.02	10.47	10.39	13,749	205
Mar	10.42	+0.03	10.42	10.35	6,237	78
Total					118,474	8,036

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	82.86	-2.00	84.05	82.86	29,656	3,385
Mar	83.37	-2.00	84.30	83.37	16,223	1,070
May	84.02	-2.00	84.70	84.02	7,468	542
Jul	84.20	-2.00	84.95	84.20	5,325	171
Oct	78.30	-1.10	78.90	78.30	1,325	6
Dec	74.98	-0.79	75.70	74.95	5,652	67
Total					66,709	5,241

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	117.30	+0.35	117.50	116.30	9,643	1,357
Jan	119.45	+0.45	119.50	118.60	9,134	1,475
Mar	121.70	+0.45	122.00	121.10	2,554	130
May	123.70	+0.70	123.10	123.10	1,251	1
Jul	125.70	+0.65	-	-	503	3
Sep	127.70	+0.65	-	-	313	-
Total					23,667	2,987

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 16	Oct 13	month ago	year ago
2100.7	2097.3	2128.4	2060.7

■ CRB Futures (Base: 1967=100)

Oct 13	Oct 12	month ago	year ago
241.31	240.24	-	-

■ GSCI Spot (Base: 1970=100)

Oct 13	Oct 12	month ago	year ago
181.01	179.61	182.99	174.33

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	65.950	-0.200	66.325	65.900	5,830	2,120
Dec	67.825	-0.125	68.200	67.775	29,495	5,821
Feb	67.000	+0.250	67.175	66.750	14,753	1,173
Apr	67.050	+0.275	67.175	66.775	8,324	786
Jun	63.025	+0.175	63.175	62.850	3,603	1,235
Aug	61.850	+0.150	61.725	61.450	1,310	876
Total					63,642	12,011

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	46.450	+0.725	46.500	45.700	4,456	1,278
Dec	46.050	+0.775	46.300	45.400	13,215	5,472
Feb	48.650	+0.625	48.825	48.125	7,312	1,165
Apr	48.175	+0.525	48.225	47.600	2,541	465
Jun	53.150	+0.900	53.150	52.300	2,853	276
Aug	51.725	+0.800	51.800	50.900	1,307	44
Total					32,432	8,741

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	63.325	+2.000	63.325	62.450	5,758	1,589
Mar	62.950	+2.000	62.950	62.000	555	193
May	64.150	+1.950	64.150	62.850	137	21
Jul	64.425	+1.625	64.500	63.500	463	64
Aug	61.900	+1.900	61.900	61.300	38	5
Total					6,951	1,867

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1650	76	119	47	68
1700	52	94	72	91
1750	33	72	103	119
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2750	91	93	71	113
2800	67	72	97	142
2850	48	56	128	174
■ COFFEE LCE	Nov	Jan	Nov	Jan
1600	818	766	23	1
1650	769	716	51	1
1700	718	667	89	2
■ COCOA LCE	Dec	Mar	Dec	Mar
875	42	81	14	21
900	27	66	24	31
925	17	52	39	42
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1550	-	64	-	11
1600	-	30	-	26
1650	-	12	-	56

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$15.07-5.12z	+0.040
Brent Blend (dated)	$16.04-6.09	-0.025
Brent Blend (Dec)	$16.09-6.11	+0.100
W.T.I. (1pm est)	$17.31-7.33z	+0.120

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-173	
Gas Oil	$148-149	-2
Heavy Fuel Oil	$86-87	+1.5
Naphtha	$149-150	
Jet fuel	$171-176	-3.5
Diesel	$151-153	+0.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

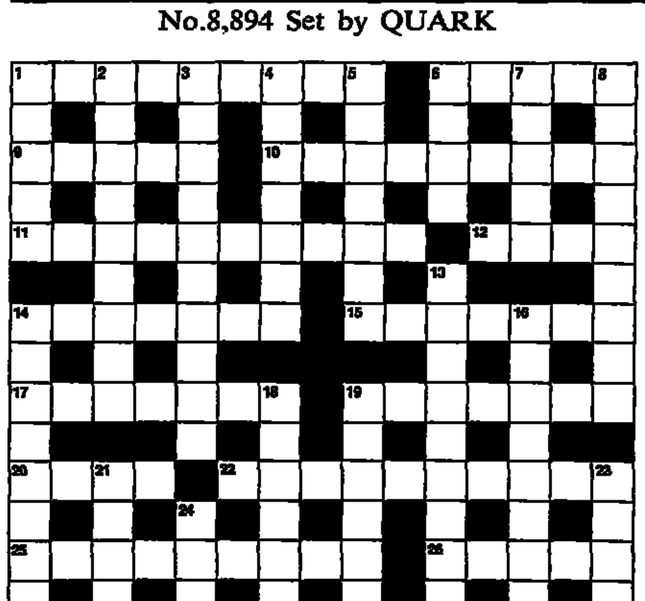
Gold (per troy oz)♣	$383.95	-0.25
Silver (per troy oz)♣	596.5c	-5.0
Platinum (per troy oz.)	$412.50	-0.75
Palladium (per troy oz.)	$137.25	+0.35
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.71m	+0.10
Tin (New York)	296.5c	-3.0
Cattle (live weight)†	127.91p	+1.05*
Sheep (live weight)†♠	102.79p	+1.20*
Pigs (live weight)†	96.62p	-0.32*
Lon. day sugar (raw)	$306.2	-0.9
Lon. day sugar (wte)	$389.0	-10.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£104.0w	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	93.50p	
Rubber (Dec)♥	93.50p	
Rubber (KL RSS No1)	355.5m	+4.0
Coconut Oil (Phil)§	$720.0u	+12.5
Palm Oil (Malay.)§	$620.0	-5.0
Copra (Phil)§	464.0y	+2.0
Soyabeans (US)	191.0	
Cotton Outlook'A' Index	91.40c	
Wooltops (64s Super)	451p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Nov. y Oct/Nov. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,894 Set by QUARK



ACROSS

1 Got a space in a new form? I'm made responsible (9)
6 Joker and Queen in the bet (5)
9 Mostly keep in and put in the ground (5)
10 Vary fuel cut at works (9)
11 It's straightforward and follows three ceremonies, they say (10)
12 Wooden smile? (4)
14 Slow dance as a rule? (7)
15 Unfortunately art desk is not getting most light (7)
17 Required in the House: one to give address (7)
19 Large bird's terror, losing head (7)
20 Short 14 across to move by degrees (4)
22 Prisoner's piece of 13 fit for something to eat (10)
25 Lee's in trouble with kind of 13 that's essential (9)
26 Tobacco swindle? (5)
27 Heading for the championship? (5)
28 Odd cage on ground. It has many sides (9)

DOWN

1 Light boat. One used in winter sports, very strong (5)
2 How to get neat substitute? (9)
3 Hate Quark twisting English? It's an upheaval (10)
4 Away team's player could be (7)
5 Felt rather mad (7)
6 Power unit in show at technical college (4)
7 Old cricketer's elegance (5)
8 Suffering from stiffness, I came thru for treatment (9)
13 Use of numbers (see 22,25) (10)
14 Confused sir (dim, etc) to give wrong orders (9)
16 Exalting Heather under hat mainly turned up (9)
18 What plants are about Sabbath (settled down) (7)
19 Some prevent us sledging having had a fight (7)
21 Disobey rules about the preliminary race (5)
23 Defeated first off? Devoured! (5)
24 Top class tennis star, we hear, is to give up (4)

Solution to Saturday's prize puzzle on Saturday October 28.
Solution to yesterday's prize puzzle on Monday October 30.

INTERNATIONAL CAPITAL MARKETS

France and Italy hit by political jitters

By Richard Lapper in London and Lisa Bransten in New York

Political jitters led to a sharp under-performance by the French and Italian bond markets compared with Germany yesterday, while gilts also lagged behind bunds in thin trading.

In France, worries about a possible scandal implicating Mr Jean Arthuis, the finance minister, depressed market sentiment.

There was also some profit-taking and analysts suggested that the cut in overnight money rates by the Bank of France – by 25 basis points to 7 per cent – was premature.

Floor trading on Matif closed with the 10-year December futures contract standing at 115.12, down 0.30. Three-month Pibor futures closed at 93.04, down 0.25.

Yield spreads over bunds widened to 102 basis points compared with 96 points at Friday's close.

■ Italy's bond markets were also affected by political uncertainty, following the decision by a judge over the weekend to send former prime minister Mr Silvio Berlusconi to trial.

GOVERNMENT BONDS

On Liffe 10-year futures fell by 0.75 to close at 101.90, while in the cash market spreads over Germany widened to 537 basis points.

■ In the UK, trading in gilts was lacklustre ahead of today's PSBR figures and other economic data later this week.

On Liffe the 10-year future fell 1/16 to close at 105 11/32, but volume was light with only 30,342 contracts exchanged. Short sterling closed at 93.25, down 0.02.

Yield spreads of gilts over bunds increased to 176 basis points from 169 points on Friday.

Trading on a "when-issued" basis of the new gilts to be issued later this month begins today. Traders are expecting an issue of some £3bn carrying an 8 per cent coupon and redeemable in 2015.

■ The German market is also awaiting a new auction of 10-year paper tomorrow, with expectations that some DM15bn will be issued.

Worries about oversupply led to a fall in prices in the afternoon but weaker than expected production data and encouraging inflation figures helped the market recover its losses later in the day.

On Liffe, bunds ended the day much as they had begun, with the 10-year futures contract down only 0.01, at 95.92.

■ US Treasury prices fluctuated in a narrow range yesterday as traders took a breather after last week's bull run.

Near midday, the benchmark 30-year Treasury was 1/32 lower at 107 18/32 yielding 6.306 per cent. At the short end of the maturity spectrum, the two-year note was unchanged at 100 5/32, to yield 5.646 per cent.

Treasuries soared on Friday on bullish consumer prices and retail sales figures to cap a week that saw the yield on the long-bond fall nearly 12 basis points to 6.30 per cent.

Yesterday traders looked to Washington, where debate on the budget is set to heat up later in the week. Bond trading also remained on hold as dealers awaited the release of several items of economic data, such as today's figures on industrial production and capacity utilisation.

There was little reaction to figures showing that business inventories in August were larger than most forecasts at 0.4 per cent, mostly due to growing retail inventories.

The median forecast had been for a 0.2 per cent increase in inventories on the heels of the 0.5 per cent growth seen in July.

Treasuries got little support from the dollar, which slipped against the D-Mark and yen in early trading.

At noon, the US currency was changing hands at DM1.4201 and Y100.40 compared with DM1.4267 and Y100.97 late on Friday.

E Merck share issue five times subscribed

By Andrew Fisher in Frankfurt

Germany's biggest ever public share offering has raised DM2.1bn for E. Merck, the pharmaceuticals and chemicals company, with the new issue five times subscribed, it said yesterday.

The issue price was fixed at DM54 a share, close to the top of the range of DM46–DM56 indicated for the book-building process, which ended yesterday. The voting shares will be quoted in Frankfurt and Zurich from October 20.

Merck said it would use the funds to finance completed and planned investments, especially acquisitions. It has signalled its intention to develop its activities in north America and Asia.

The issue was led jointly by Dresdner Bank and Union Bank of Switzerland. The 40m shares issued represent 25 per cent of the family-controlled company's share capital and were created by a capital increase.

Merck, which produces laboratory and specialty chemicals said subscription applications for the new shares totalled DM10bn during the book-building period, in which investors' bids are assessed.

The Merck issue comes during a buoyant year for initial public offerings in Germany after a lacklustre 1994. Still to come this year is the flotation of Adidas, the sports shoe and clothing company.

But these and other issues will be eclipsed in 1996 when state-owned Deutsche Telekom raises around DM15bn by selling a quarter of its shares to German and foreign investors.

Large international investors have taken a strong interest in recent German IPOs, with Merck's new shares sold in the US and western Europe, as well as Germany.

Survey finds risk of serious losses in treasury functions

By Conner Middelmann

Many international companies are running the risk of incurring serious financial losses from their treasury operations, according to a survey* by Price Waterhouse Management Consultants.

While more than three-quarters of the companies it surveyed use derivatives to manage their risk, less than half apply the control standards considered necessary to manage these activities, it finds.

DERIVATIVE INSTRUMENTS

"More companies are requiring their treasury departments to provide a profit contribution by actively managing the underlying financial risks of the business, rather than simply fully hedging the exposures," Price Waterhouse says, but "the control and system standards applied by many treasury departments are not keeping pace with these risk management developments."

The survey is based on questionnaires completed during the first half of 1995 by treasurers from 386 leading companies in 16 countries covering most of Europe and Australasia but excluding the US.

Of the companies surveyed, 66 per cent apply an active approach to managing underlying business risks. Some 25 per cent or corporates indicated a fully-hedged approach to risk management, aimed at eliminating risk, and only 1 per cent took on risk unrelated to any underlying business exposure – that is, to speculate.

Most companies use derivatives to manage treasury risks, the most popular being swaps and forward-rate agreements.

For the core treasury activities, 74 to 87 per cent of corporates said they applied formal policies to define responsibility for each activity, but only 40 per cent applied formal controls to these activities.

"Given the catalogue of highly publicised treasury disasters over recent years, it is worrying that so many major companies have yet to apply effective controls to their treasury operations," said Mr David Knight at Price Waterhouse.

"Apart from falling well short of the best practice standards recommended by the Cadbury Report in the UK and the international G30 Derivatives Group, this is exposing companies to real risk."

The report found that in many cases, treasurers were responsible for developing treasury policy, often without details of it being checked.

In more than 30 per cent of companies, the board of directors did not formally approve the policy. In more than 50 per cent of cases, the board did not receive regular management information on treasury activity; and in almost half of companies, the treasury function operated without adequate limit controls over its risk management activities.

Exacerbating this situation, many treasury departments lack sophisticated technology. Fewer than half maintained their treasury records and position data on established package systems, while 30 per cent of companies continued to rely on home-made spreadsheets.

"Many companies are reluctant to invest in new technology for their treasury operations, despite the risks this implies for control," the report notes.

Corporate Treasury Control and Performance Standards, available from David Knight or Chris Jones at Price Waterhouse, 0171-939 3000.

AfDB returns to the international markets

By Antonia Sharpe

The African Development Bank (AfDB), whose new president has embarked upon a series of reforms to rectify the management and financial problems of recent years, has tapped the international markets for the first time this year.

INTERNATIONAL BONDS

The bank, which was stripped of its triple-A rating by Standard & Poor's at the end of August, raised $300m through an offering of 20-year subordinated bonds in the Yankee market – the US domestic bond market for foreign issuers. Lead manager Merrill Lynch said the bonds were priced to yield 55 basis points over US Treasuries.

AfDB also intends to come to the eurobond market tomorrow with a DM300m offering of seven-year bonds, via Dresdner Bank and Salomon Brothers. Since the bank has to win back the market after adverse publicity last year, the yield spread on the bonds could be as much as 20 to 25 basis points over the German bund due October 2002.

Argentina tapped the D-Mark sector yesterday for the second time since August with a DM500m issue of seven-year bonds priced to yield 438 basis points over bunds. The proceeds of the bond are thought to have been swapped into fixed-rate dollars.

European Investment Bank is believed to have taken soundings for a possible DM1.5bn offering of bonds with a maturity between five and 10 years. Syndicate managers say the deal could come this week.

The Japanese utility, Hokkaido Electric, is expected to raise $200m today through an offering of five-year bonds priced at about 30 basis points over Treasuries. IBJ and Yamaichi are the likely arrangers.

Among yesterday's deals, Cadbury Schweppes returned to the eurobond market with a £150m five-year offering to continue the refinancing of short-term debt taken out earlier this year to finance the acquisition of the Dr Pepper/7-Up companies.

The bonds were priced to yield 40 basis points over UK government bonds which was deemed to be fair and compared favourably with other UK corporate bonds in the market. Mr Tim Owen, Cadbury Schweppes director of treasury, said the proceeds had been swapped into floating-rate dollars at a small margin over Libor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
St George Bank‡	300	(a)	99.92R	Nov.1998	0.15R	-	UBS
Electrobras(b)	50	10.00#	99.25R	Oct.1998	0.875R	+450(5⅞%-98)	ABN Amro Hoare Govett
D-MARKS							
Free State of Bavaria(c)	500	6.70	99.675R	Oct.2005	0.325R	+21(6⅞%-05)	ABN Amro/ Bayerische Hypo.
Republic of Argentina	500	10.50	99.50R	Nov.2002	1.25R	+438(7¼%-02)	CSFB-Effectenbank
YEN							
Petrobras	15bn	5.375	100.00	Oct.1998	1.00	-	Nomura International
Electrobras(d)*	10bn	5.20	99.00R	Oct.1998	1.00R	-	Daiwa Europe
STERLING							
Cadbury Schweppes(s)	150	8.00	99.361R	Dec.2000	0.30R	+40(8%-00)	NatWest Markets
SWISS FRANCS							
Province of Styria*	100	2.625	101.15	Nov.1997	-	-	del Gottardo/ von Ernst
GUILDERS							
BNG	500	6.00	99.83R	Nov.2001	0.275R	+10(6¾%-01)	SBC Warburg
SOUTH AFRICAN RAND							
ABN Amro Bank	250	14.75	100.00R	Nov.1999	0.50R	-	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +15bp. b) $100m launched 12/10/95 increased to $150m. Puttable on 30/10/97 at 98¾%. c) Plus 5 days accrued. d) Puttable on 30/10/97 at 99%. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	94.5200	+0.770	8.33	8.50	8.76
Austria		6.875	06/05	99.2300	+0.130	6.98	6.99	6.89
Belgium		6.500	03/05	96.0300	-0.040	7.06	7.15	7.06
Canada *		8.750	12/05	108.2500	-0.050	7.57	7.61	7.90
Denmark		7.000	12/04	94.5600	-	7.85	7.99	7.87
France	BTAN	7.750	04/00	103.3500	-0.270	6.84	6.87	6.55
	OAT	7.750	10/05	101.2600	-0.430	7.56	7.61	7.34
Germany Bund		6.875	05/05	102.2400	-0.050	6.54	6.58	6.59
Ireland		6.250	10/04	87.8000	-0.150	8.22	8.26	8.18
Italy		10.500	04/05	93.9500	-0.820	11.57†	11.67	11.25
Japan	No 129	6.400	03/00	120.4980	+0.260	1.45	1.58	1.99
	No 174	4.600	09/04	114.0140	+0.440	2.66	2.71	3.02
Netherlands		7.000	06/05	102.5600	-0.060	6.63	6.65	6.58
Portugal		11.875	02/05	103.5800	-0.120	11.21	11.29	11.33
Spain		10.000	02/05	94.8500	-0.260	10.86	10.98	10.92
Sweden		8.000	02/05	79.2600	-0.400	9.44	9.54	10.05
UK Gilts		8.000	12/00	101-20	-1/32	7.61	7.57	7.44
		8.500	12/05	102-17	-13/32	8.12	8.13	7.89
		9.000	10/08	106-02	-13/32	8.23	8.23	7.98
US Treasury *		6.500	08/05	103-30	-1/32	5.96	6.06	6.18
		6.875	08/25	107-18	-2/32	6.31	6.42	6.59
ECU (French Govt)		7.500	04/05	98.1100	-0.250	7.78	7.90	7.56

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.37	Two year	5.66
Prime rate	8¾	Two month	5.45	Three year	5.73
Broker loan rate	7½	Three month	5.46	Five year	5.82
Fed.funds	5¾	Six month	5.56	10-year	5.97
Fed.funds at intervention	-	One year	5.59	30-year	6.31

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115.54	115.12	-0.34	115.64	115.04	100,659	95,833
Mar	114.94	114.62	-0.28	114.98	114.56	1,452	4,658
Jun	115.10	114.72	-0.34	115.10	115.10	2	1,544

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
114	-	1.62	-	0.13	0.50	1.24
115	0.51	1.01	1.33	0.37	0.86	1.68
116	0.11	0.50	-	-	1.39	-
117	0.02	0.21	-	-	-	-
118	-	0.09	0.35	-	-	-

Est. vol. total, Calls 15,198 Puts 14,230. Previous day's open int., Calls 142,157 Puts 157,519.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.00	95.92	-0.01	96.08	95.81	96996	186214
Mar	95.36	95.33	-0.01	95.36	95.36	4	4789

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9550	0.55	0.89	0.75	1.09	0.13	0.47	0.92	1.26
9600	0.24	0.61	0.54	0.86	0.32	0.69	1.21	1.53
9650	0.08	0.39	0.38	0.67	0.66	0.97	1.55	1.84

Est. vol. total, Calls 19192 Puts 13545. Previous day's open int., Calls 211364 Puts 172276

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.50	101.90	-0.75	102.74	101.72	31907	44881
Mar	-	101.54	-0.75	-	-	0	570

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10150	1.42	2.34	1.02	2.30
10200	1.17	2.10	1.27	2.56
10250	0.94	1.88	1.54	2.84

Est. vol. total, Calls 2884 Puts 3766. Previous day's open int., Calls 40029 Puts 42652

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	89.16	88.80	-0.34	89.22	88.74	29,083	30,843
Mar	87.80	88.68	+0.45	88.90	87.80	24	9

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	105-24	105-11	-0-14	105-30	105-07	30635	100608
Mar	-	104-25	-0-14	-	-	0	276

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
105	0-48	1-20	1-19	1-55	0-26	0-62	1-33	2-05
106	0-18	0-52	0-56	1-26	0-60	1-30	2-08	2-40
107	0-05	0-29	0-36	1-03	1-47	2-07	2-50	3-17

Est. vol. total, Calls 1159 Puts 1321. Previous day's open int., Calls 38828 Puts 31529

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.70	86.44	-0.14	86.70	86.36	1,673	9,212

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	117-08	117-08	-0-06	117-11	117-03	448,954	380,798
Mar	116-31	116-28	-0-06	116-31	116-23	3,271	17,947
Jun	-	116-19	-	-	-	181	3,828

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.24	-	-	121.54	121.24	3172	0
Mar	120.23	-	-	120.44	120.23	445	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Oct 16	Day's change %	Fri Oct 13	Accrued interest	xd adj. ytd		Low coupon yield Oct 16	Low Oct 13	Low Yr. ago	Medium coupon yield Oct 16	Medium Oct 13	Medium Yr. ago	High coupon yield Oct 16	High Oct 13	High Yr. ago
1 Up to 5 years (23)	120.44	-0.09	121.05	0.91	9.72	5 yrs	7.66	7.66	8.40	7.66	7.67	8.45	7.76	7.76	8.60
2 5-15 years (21)	144.44	-0.11	144.60	1.92	9.99	15 yrs	8.24	8.22	8.35	8.27	8.24	8.48	8.35	8.32	8.70
3 Over 15 years (9)	159.88	-0.28	160.33	2.92	9.84	20 yrs	8.29	8.26	8.31	8.32	8.29	8.48	8.38	8.35	8.58
4 Irredeemables (6)	183.15	+0.05	183.06	4.07	8.83	Irred.†	8.35	8.35	8.40						
5 All stocks (59)	140.01	-0.08	140.48	1.74	9.98										

Index-linked	Mon Oct 16	Day's change %	Fri Oct 13	Accrued interest	xd adj. ytd		Inflation 5% Oct 16	Oct 13	Yr. ago	Inflation 10% Oct 16	Oct 13	Yr. ago
6 Up to 5 years (1)	192.50	-0.02	192.53	-0.24	8.37	Up to 5 yrs	3.28	3.27	3.81	2.10	2.08	2.59
7 Over 5 years (11)	183.46	-0.13	184.15	0.62	4.45	Over 5 yrs	3.75	3.74	3.82	3.53	3.52	3.62
8 All stocks (12)	183.54	-0.13	184.21	0.60	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 16	Oct 13	Oct 12	Oct 11	Oct 10	Yr ago	High*	Low*
Govt. Secs. (UK)	92.93	92.99	92.60	92.63	92.78	92.26	95.51	90.22
Fixed Interest	111.27	111.01	110.90	110.92	111.04	108.69	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9
Gilt Edged bargains	87.2	80.9	80.8	89.5	73.5
5-day average	82.4	81.9	80.1	79.4	79.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98¾	99		6.01
Abbey Natl Treasury 6½ 03	1000	100	100¼		6.49
ABN Amro Bank 7¼ 05	1000	104⅜	104⅝	+¼	6.74
African Dev Bk 7⅜ 23	500	103	103½	+⅛	7.12
Alberta Province 7⅝ 98	1000	104½	104¾		5.97
[illegible]					
Sweden 8 97	2500	106¼	106½	-⅛	4.73
United Kingdom 7¼ 97	5500	104⅞	105		4.56
Volkswagen Intl Fin 7 03	1000	101⅜	101⅝	+⅛	6.75
World Bank 0 15	2000	28⅛	28½	+¼	6.88
World Bank 5⅞ 03	3000	96	96⅛	+⅛	6.53
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	97¼	97½		8.50
Alliance Leics 11⅜ 97 £	100	105¾	106		7.28
British Land 8⅞ 23 £	150	90¾	91¼	-¼	10.09
Denmark 6¾ 98 £	800	98	98⅛		7.54
EIB 8 03 £	1000	98¼	98½		8.30
Halifax 10⅜ 97 £	100	103⅞	104¼	-⅛	7.28
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts" (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
[illegible]						
Over Fifteen Years						
[illegible]						
Index-Linked						
[illegible]						
Other Fixed Interest						
[illegible]						

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CURRENCIES AND MONEY

MARKETS REPORT

European political worries weigh on the dollar

By Philip Gawith

The dollar yesterday lost ground on the foreign exchanges as renewed political uncertainty in France, Sweden and Italy buoyed up the D-Mark.

The French franc lost ground after the Bank of France cut its 24 hour emergency lending rate to 7 per cent from 7.25 per cent. The rate had been increased a week previously from 6.15 per cent as the BoF sought to defend the franc from speculative attack.

Otherwise, corruption was the watchword for markets. In France it was finance minister Mr Jean Arthuis, who was in the spotlight while speculation surrounding Ms Mona Sahlin in Sweden, and Mr Silvio Berlusconi in Italy, both of whom have had corruption allegations levelled at them, weighed on the currencies.

The Franc finished in London at FFr3.493, from FFr3.480 against the D-Mark. The lira closed at L1,129, from L1,123, while the Swedish krona finished at SKr4.899, from SKr4.889.

The dollar also lost ground against the D-Mark, finishing at DM1.4195, from DM1.4291. Against the yen it closed at Y100.3 from Y100.675.

Elsewhere, in Turkey there was limited reaction to the news that the prime minister, Ms Tansu Ciller, had lost a vote of confidence in parliament. The central bank intervened heavily to support the lira, which slipped to TL50,900 against the dollar, after opening around TL50,300, before recovering to close at TL50,430.

■ **Pound in New York**

Oct 16	—Latest—	— Prev. close —
£ spot	1.5740	1.5742
1 mth	1.5728	1.5730
3 mth	1.5706	1.5709
1 yr	1.5583	1.5587

Sterling lost ground against the D-Mark, finishing at DM2.2376, from DM2.2471. Against the dollar it closed at $1.5763, from $1.5724.

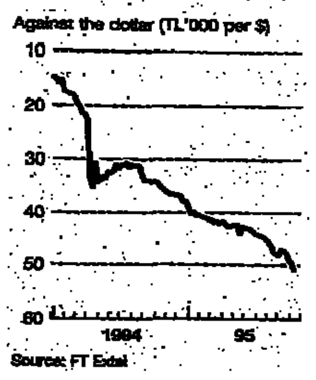
■ With little of immediate consequence to focus on, the market was again awash with rumour. One that enjoys some credibility concerns Japanese monetary policy. Generous money market injections by the Bank of Japan yesterday, and on Friday, prompted renewed speculation that the BOJ might again cut the official discount rate.

Mr Chris Furness, currency analyst at IDEA in London, said there was "persistent talk" about a further discount rate cut. He said the timing of such a move was uncertain, "but there is never any smoke without fire with these Japanese rumours." Mr Furness said he could envisage the ODR being cut again to 0.25 per cent, from 0.5 per cent at present.

He said this would be more a symbolic move, aimed at confirming the determination of Japanese authorities to resist the deflationary forces afoot in the economy, than one which expected to have much real economic impact.

Turkish lira

Against the dollar (TL'000 per $)



Source: FT Extel

A number of factors weighed down on the dollar, although most had the whiff of old rumour being reheated, rather than anything new or original. One was continued speculation that talks to broker a deal on the US budget would not succeed. Another was concern that the US treasury market was due for a correction, which undermined sentiment for US assets. The stronger D-Mark also weighed on the dollar.

Interestingly, the fortnightly forex survey conducted last week by IDEA, the financial advisory group, found "progress on the US budget" to be "by far the most popular" factor considered likely to affect the value of the dollar over the rest of the year.

The survey's central finding was that over both two week and two month periods, the median expectation was for the dollar to rise against both the yen and the D-Mark.

■ In Istanbul, Mr Omer Akyol, chief interbank trader at Citibank, said news that the old ruling coalition might reform, leading to an early election, would provide greater stability for the currency. But he said the potential for volatility and uncertainty in the market remained.

The other exotic currency in the spotlight yesterday was the Malaysian ringgit, following the announcement of measures by the central bank aimed at curbing credit growth. Mr Chris Tinker, economist at Standard Chartered bank in London, said these were "the first concrete steps" taken by the authorities aimed at addressing market fears about an overheating economy. The ringgit has fallen from around M$2.44 in July to around M$2.55 now.

■ The Bank of England cleared a £750m shortage in its daily money market operations. Three month LIBOR traded at 6 13/16 per cent.

■ **OTHER CURRENCIES**

Oct 16	£	$
Czech Rp	41.4183 - 41.4898	26.2840 - 26.3000
Hungary	206.225 - 206.435	130.870 - 130.920
Iran	4730.40 - 4727.40	3000.00 - 3000.00
Kuwait	0.4726 - 0.4737	0.2999 - 0.3004
Poland	3.8544 - 3.8632	2.4460 - 2.4500
Russia	7101.91 - 7100.56	4504.00 - 4506.00
U.A.E.	5.7878 - 5.7919	3.6729 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Oct 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7445	-0.0683	356 - 533	15.8090	15.7150	15.7141	2.3	15.6555	2.3	-	-	107.1
Belgium	(BFr)	46.0319	-0.1809	976 - 662	46.3300	45.6820	45.9369	2.5	45.7469	2.5	45.0119	2.2	109.7
Denmark	(DKr)	8.6752	-0.0408	701 - 803	8.7099	8.6593	8.6676	1.1	8.651	1.1	8.5665	1.0	110.5
Finland	(FM)	6.7723	-0.0016	648 - 799	6.8030	6.7580	6.7679	0.8	6.7599	0.7	-	-	88.0
France	(FFr)	7.8130	-0.0074	089 - 170	7.8220	7.7884	7.8199	-1.1	7.8255	-0.6	7.8201	-0.1	109.2
Germany	(DM)	2.2376	-0.0095	364 - 387	2.2472	2.2325	2.2325	2.8	2.2231	2.6	2.1821	2.5	112.4
Greece	(Dr)	368.569	-0.885	374 - 764	369.171	364.306	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9786	+0.0006	777 - 795	0.9803	0.9778	0.9778	1.0	0.9765	0.9	0.9733	0.5	97.5
Italy	(L)	2525.31	+2.63	333 - 730	2529.87	2517.55	2532.56	-3.4	2547.46	-3.5	2615.61	-3.6	70.0
Luxembourg	(LFr)	46.0319	-0.1809	976 - 662	46.3300	45.6820	45.9369	2.5	45.7469	2.5	45.0119	2.2	109.7
Netherlands	(Fl)	2.5050	-0.0105	035 - 065	2.5169	2.5000	2.4985	3.1	2.4878	2.8	2.4414	2.5	109.7
Norway	(NKr)	9.8423	-0.019	369 - 477	9.9083	9.7663	9.8299	1.5	9.808	1.4	9.7325	1.1	99.8
Portugal	(Es)	235.357	-0.676	204 - 511	237.773	232.229	235.897	-2.8	237.117	-3.0	-	-	95.5
Spain	(Pta)	193.097	-0.701	957 - 237	193.736	192.580	193.597	-3.1	194.537	-3.0	198.937	-3.0	81.4
Sweden	(SKr)	10.9615	+0.021	515 - 714	10.9850	10.8912	10.9637	-0.2	10.9682	-0.2	10.9916	-0.3	82.4
Switzerland	(SFr)	1.8117	-0.0076	104 - 130	1.8195	1.8066	1.8046	4.7	1.7928	4.2	1.7398	4.0	116.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	92.7
Ecu	-	1.2153	-0.0033	145 - 160	1.2191	1.2127	1.2142	1.1	1.212	1.1	1.2026	1.0	-
SDR†	-	1.052800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5761	+0.0039	755 - 766	1.5769	1.5735	-	-	-	-	-	-	-
Brazil	(R$)	1.5107	+0.004	098 - 115	1.5116	1.5078	-	-	-	-	-	-	-
Canada	(C$)	2.1086	+0.0059	075 - 096	2.1129	2.1040	2.1077	0.5	2.1075	0.2	2.1126	-0.2	85.4
Mexico	(New Peso)	10.6401	+0.0736	209 - 592	10.6461	10.6209	-	-	-	-	-	-	-
USA	($)	1.5763	+0.0039	758 - 768	1.5772	1.5737	1.5751	0.9	1.5731	0.8	1.5611	1.0	92.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0841	+0.0131	827 - 854	2.0854	2.0603	2.0854	-0.7	2.0882	-0.8	2.103	-0.9	86.4
Hong Kong	(HK$)	12.1864	+0.0302	817 - 910	12.1929	12.1671	12.1829	0.3	12.1705	0.5	12.1369	0.4	-
India	(Rs)	54.4612	+0.6064	863 - 361	54.9590	53.5840	-	-	-	-	-	-	-
Israel	(Shk)	4.7243	+0.0004	194 - 291	4.7302	4.7181	-	-	-	-	-	-	-
Japan	(Y)	158.103	-0.198	974 - 232	159.030	157.820	157.188	6.9	155.578	6.4	148.653	6.0	143.1
Malaysia	(M$)	4.0079	+0.0072	062 - 095	4.0106	3.9971	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3864	+0.0064	843 - 884	2.3884	2.3818	2.3923	-3.0	2.4016	-2.5	2.4272	-1.7	101.3
Philippines	(Peso)	40.8735	+0.0933	817 - 653	40.9653	40.7817	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9121	+0.0146	100 - 141	5.9150	5.9023	-	-	-	-	-	-	-
Singapore	(S$)	2.2435	+0.0004	420 - 450	2.2485	2.2413	-	-	-	-	-	-	-
South Africa	(R)	5.7599	+0.0084	569 - 629	5.7632	5.7515	-	-	-	-	-	-	-
South Korea	(Won)	1211.15	+2.84	069 - 161	1212.09	1209.23	-	-	-	-	-	-	-
Taiwan	(T$)	42.4358	+0.1482	156 - 553	42.4553	42.3674	-	-	-	-	-	-	-
Thailand	(Bt)	39.5652	+0.0948	447 - 856	39.5920	39.5110	-	-	-	-	-	-	-

† Rates for Oct 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.9883	-0.0682	858 - 907	10.0220	9.9770	9.9732	1.8	9.9431	1.8	9.8338	1.5	106.9
Belgium	(BFr)	29.2025	-0.1875	900 - 150	29.4020	28.9990	29.1615	1.7	29.0825	1.6	28.7825	1.4	109.0
Denmark	(DKr)	5.5035	-0.0398	020 - 050	5.5276	5.4980	5.5042	-0.2	5.5	0.3	5.5095	-0.1	109.3
Finland	(FM)	4.2963	-0.0117	928 - 998	4.3170	4.2860	4.2958	0.1	4.2948	0.1	4.2903	0.1	87.0
France	(FFr)	4.9565	-0.017	565 - 575	4.9670	4.9430	4.965	-2.1	4.975	-1.5	4.9965	-0.8	108.8
Germany	(DM)	1.4195	-0.0096	192 - 198	1.4258	1.4178	1.4173	1.9	1.4129	1.8	1.3944	1.8	111.2
Greece	(Dr)	232.550	-1.14	500 - 600	234.290	231.100	234.275	-8.9	237.475	-8.5	250.95	-7.9	66.8
Ireland	(I£)	1.6108	+0.0029	098 - 118	1.6120	1.6070	1.611	-0.1	1.6111	-0.1	1.6176	-0.4	-
Italy	(L)	1602.05	-2.3	130 - 280	1605.25	1598.25	1608.8	-5.1	1620.85	-4.7	1678.05	-4.7	69.7
Luxembourg	(LFr)	29.2025	-0.1875	900 - 150	29.4020	28.9990	29.1615	1.7	29.0825	1.6	28.7825	1.4	109.0
Netherlands	(Fl)	1.5892	-0.0106	887 - 896	1.5974	1.5876	1.5865	2.0	1.5815	2.0	1.5615	1.7	108.8
Norway	(NKr)	6.2440	-0.0275	425 - 454	6.2880	6.1977	6.2402	0.7	6.234	0.6	6.224	0.3	98.6
Portugal	(Es)	149.310	-0.8	260 - 360	150.900	147.400	149.775	-3.7	150.795	-4.0	155.41	-4.1	95.5
Spain	(Pta)	122.500	-0.75	450 - 550	122.750	122.180	122.88	-3.7	123.65	-3.8	127.145	-3.8	80.9
Sweden	(SKr)	6.9539	-0.0039	498 - 580	6.9731	6.9096	6.9714	-3.0	7.0079	-3.1	7.1764	-3.2	82.4
Switzerland	(SFr)	1.1494	-0.0076	489 - 496	1.1545	1.1474	1.1458	3.8	1.1397	3.4	1.1119	3.3	115.1
UK	(£)	1.5763	+0.0039	758 - 768	1.5772	1.5737	1.5751	0.9	1.5731	0.8	1.5611	1.0	84.1
Ecu	-	1.2971	+0.0068	967 - 975	1.2986	1.2928	1.2975	-0.4	1.2982	-0.3	1.3005	-0.3	-
SDR†	-	0.66900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9584	+0.0002	581 - 586	0.9591	0.9581	-	-	-	-	-	-	-
Canada	(C$)	1.3377	+0.0004	374 - 379	1.3408	1.3365	1.3381	-0.4	1.3395	-0.5	1.3497	-0.9	84.5
Mexico	(New Peso)	6.7500	+0.03	400 - 600	6.7600	6.7370	6.7523	-0.4	6.7554	-0.3	6.7603	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3221	+0.0051	217 - 226	1.3226	1.3206	1.3239	-1.6	1.3275	-1.6	1.3472	-1.9	88.0
Hong Kong	(HK$)	7.7310	-	305 - 315	7.7315	7.7315	7.7325	-0.2	7.7345	-0.2	7.7547	-0.3	-
India	(Rs)	34.5500	+0.3	500 - 500	34.9000	34.0000	34.7	-5.2	35.005	-5.3	36.475	-5.6	-
Israel	(Shk)	2.9971	-0.0071	949 - 992	3.0002	2.9949	-	-	-	-	-	-	-
Japan	(Y)	100.300	-0.375	250 - 350	100.900	100.230	99.805	5.9	98.885	5.6	95.01	5.3	143.3
Malaysia	(M$)	2.5426	-0.0017	423 - 428	2.5448	2.5375	2.5426	0.0	2.543	-0.1	2.5506	-0.3	-
New Zealand	(NZ$)	1.5138	+0.0016	131 - 147	1.5147	1.5125	1.5179	-3.3	1.5254	-3.1	1.5501	-2.4	-
Philippines	(Peso)	25.9300	-0.005	800 - 800	25.9800	25.8800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7507	3.7505	3.7511	-0.2	3.752	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4233	-0.0032	228 - 238	1.4265	1.4228	1.4199	2.9	1.4138	2.7	1.3888	2.4	-
South Africa	(R)	3.6541	-0.0037	533 - 548	3.6550	3.6533	3.6794	-8.3	3.7294	-8.2	3.9606	-8.4	-
South Korea	(Won)	768.350	-0.1	300 - 400	769.200	767.890	771.35	-4.7	774.85	-3.4	793.35	-3.3	-
Taiwan	(T$)	26.9210	+0.0275	170 - 250	26.9250	26.9120	26.941	-0.9	26.981	-0.9	-	-	-
Thailand	(Bt)	25.1000	-0.002	950 - 050	25.1100	25.0950	25.1875	-4.2	24.835	4.2	26.055	-3.8	-

† SDR rate per $ for Oct 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 13. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 16	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅛	4⅛	4 3/16	4 3/16	4⅜	8.00	3.50	-
week ago	4 3/16	4⅛	4¼	4⅜	4½	8.00	3.50	-
France	6	6½	6⅝	6 11/16	6 11/16	5.00	-	7.00
week ago	5¾	6½	7	6⅞	6¾	5.00	-	7.25
Germany	4⅛	4 1/16	4 1/16	4 1/16	4 1/16	5.50	3.50	4.08
week ago	4 3/16	4 1/16	4	4	4	5.50	3.50	4.05
Ireland	5⅞	5⅞	5 13/16	6 1/16	6⅜	-	-	6.25
week ago	5 9/16	5⅝	5 13/16	6 1/16	6⅝	-	-	6.25
Italy	10⅛	10¼	10⅜	10⅜	10⅝	-	9.00	10.38
week ago	10 3/16	10¼	10⅝	10 9/16	10¾	-	9.00	10.36
Netherlands	3 13/16	3 13/16	3 13/16	3 13/16	4 1/16	-	3.50	3.80
week ago	3 13/16	3 13/16	3 13/16	3 13/16	4 1/16	-	3.50	3.80
Switzerland	2	2 1/16	2¼	2 1/16	2¼	5.00	2.00	-
week ago	1⅛	2 1/16	2¼	2¼	2¼	5.00	2.00	-
US	5¾	5 13/16	5 13/16	5¾	5 13/16	-	5.25	-
week ago	5¾	5 13/16	5 13/16	5 13/16	6	-	5.25	-
Japan	7/16	7/16	½	½	⅝	-	0.50	-
week ago	7/16	7/16	7/16	7/16	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¾	5 13/16	5¾	5¾	-	-	-
week ago	-	5¾	5 13/16	5 13/16	5¾	-	-	-
US Dollar CDs	-	5.61	5.60	5.60	5.62	-	-	-
week ago	-	5.61	5.60	5.60	5.64	-	-	-
ECU Linked Ds	-	5 13/16	5 13/16	5 13/16	5¾	-	-	-
week ago	-	5 13/16	5 13/16	5 13/16	5¾	-	-	-
SDR Linked Ds	-	3 13/16	3 13/16	3 13/16	3 13/16	-	-	-
week ago	-	3 13/16	3 13/16	3 13/16	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 7/16 - 4 5/16	4 5/16 - 4 3/16	4¼ - 4⅛	4 5/16 - 4 3/16	4⅜ - 4¼	4 7/16 - 4 5/16
Danish Krone	6½ - 6¼	5⅝ - 5⅛	5 11/16 - 5½	5¾ - 5⅝	5⅞ - 5⅝	5 15/16 - 5 13/16
D-Mark	4¼ - 4⅛	4⅛ - 4	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16
Dutch Guilder	4 - 3⅞	4 - 3⅞	3 31/32 - 3 29/32	3 31/32 - 3 29/32	4 1/32 - 3 31/32	4 1/16 - 3 31/32
French Franc	6¼ - 5⅞	6¼ - 6	6⅞ - 6⅝	7 - 6¾	6 15/16 - 6⅝	6⅞ - 6⅝
Portuguese Esc.	8 13/16 - 8 11/16	8 11/16 - 8⅝	8 15/16 - 8 13/16	9¼ - 9⅛	9⅜ - 9⅛	9 9/16 - 9 7/16
Spanish Peseta	9⅜ - 9¼	9⅜ - 9¼	9 13/32 - 9 9/32	9 15/32 - 9 11/32	9 19/32 - 9 15/32	9 11/16 - 9 9/16
Sterling	6⅞ - 6½	6¾ - 6 11/16	6 27/32 - 6 23/32	6 29/32 - 6 25/32	6 31/32 - 6 27/32	6 31/32 - 6⅞
Swiss Franc	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2¼ - 2⅛	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2⅜ - 2¼
Can. Dollar	6 1/16 - 6	6 1/16 - 6	6¼ - 6⅛	6 7/16 - 6 5/16	6 9/16 - 6 7/16	6⅝ - 6½
US Dollar	5¾ - 5½	5 13/16 - 5 11/16	5⅞ - 5¾	5 13/16 - 5 11/16	5 25/32 - 5 23/32	5⅞ - 5⅝
Italian Lira	8 5/16 - 8 3/16	10¼ - 10⅛	10⅜ - 10¼	10 9/16 - 10 7/16	10 23/32 - 10 19/32	10 13/16 - 10 9/16
Yen	½ - 7/16	⅜ - ¼	13/32 - 9/32	7/16 - 5/16	7/16 - 5/16	⅜ - ¼
Asian $Sing	3¼ - 3⅛	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2 15/16 - 2 13/16	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.44	93.04	-0.25	93.48	93.01	68,177	38,008
Mar	94.00	93.86	-0.10	94.07	93.80	13,553	28,238
Jun	94.31	94.24	-0.05	94.37	94.20	6,605	27,219

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.02	96.02	-	96.03	95.99	9366	136591
Mar	96.13	96.11	-0.02	96.14	96.10	18975	160114
Jun	96.02	96.02	-	96.04	96.00	11118	120044
Sep	95.82	95.81	-0.01	95.84	95.79	7617	90499

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.56	89.47	-0.10	89.58	89.43	7489	33501
Mar	89.84	89.76	-0.08	89.88	89.68	1498	23935
Jun	90.00	89.89	-0.09	90.00	89.85	503	13165
Sep	89.97	89.89	-0.06	89.97	89.89	160	7764

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.69	97.67	-0.01	97.70	97.62	1109	22696
Mar	97.74	97.74	+0.01	97.76	97.71	1844	15342
Jun	97.67	97.65	+0.01	97.67	97.64	415	5550
Sep	97.49	97.47	+0.01	97.49	97.49	1	2713

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.36	94.29	-0.03	94.38	94.25	1731	8387
Mar	94.53	94.47	-0.03	94.53	94.46	412	4167
Jun	94.50	94.46	-0.04	94.54	94.46	108	2532
Sep	94.34	94.29	-0.03	94.34	94.28	31	1484

* LIFFE futures also traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.25	94.24	-0.01	94.26	94.23	92,433	404,328
Mar	94.43	94.42	-0.01	94.43	94.40	127,144	368,438
Jun	94.42	94.43	-	94.44	94.40	67,553	246,764

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.84	94.82	-0.01	94.84	94.82	2,189	12,270
Mar	94.92	94.92	-0.02	94.93	94.92	492	3,457
Jun	-	94.94	-	-	94.94	6	158

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9600	0.02	0.07	0.09	0.24	0	0.05	0.07	0.13
9625	0	0.01	0.02	0.11	0.23	0.24	0.25	0.25
9650	0	0	0.01	0.04	0.48	0.48	0.49	0.43

Est. vol. total, Calls 2570 Puts 882. Previous day's open int., Calls 226063 Puts 224867

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9750	0.21	0.33	0.35	0.04	0.09	0.20
9775	0.06	0.18	0.21	0.14	0.17	0.31
9800	0.02	0.08	0.10	0.35	0.32	0.45

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5126 Puts 800

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
8925	0.48	0.85	1.06	0.26	0.34	0.42
8950	0.33	0.69	0.89	0.36	0.43	0.50
8975	0.21	0.54	0.74	0.49	0.53	0.60

Est. vol. total, Calls 75 Puts 0. Previous day's open int., Calls 13054 Puts 5924

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.85	16.97	4.860	2.125	5486	5.442	21.38	511.2	419.5	23.81	3.934	2.172	4.580	3.424	343.5	2.640
Denmark	(DKr)	53.06	10	9.006	2.579	1.127	2911	2.888	11.35	271.2	222.6	12.63	2.088	1.153	2.430	1.817	182.2	1.401
France	(FFr)	58.91	11.10	10	2.863	1.252	3232	3.206	12.60	301.2	247.2	14.03	2.318	1.280	2.698	2.017	202.4	1.555
Germany	(DM)	20.58	3.878	3.493	1	0.437	1129	1.120	4.400	105.2	86.32	4.899	0.810	0.447	0.942	0.705	70.66	0.543
Ireland	(I£)	47.07	8.870	7.989	2.287	1	2582	2.561	10.06	240.6	197.4	11.21	1.852	1.022	2.155	1.611	161.7	1.242
Italy	(L)	1.823	0.344	0.309	0.089	0.039	100.	0.099	0.390	9.319	7.648	0.434	0.072	0.040	0.083	0.062	6.261	0.048
Netherlands	(Fl)	18.38	3.463	3.119	0.893	0.390	1008	1	3.929	93.93	77.09	4.375	0.723	0.399	0.842	0.629	63.11	0.485
Norway	(NKr)	46.77	8.814	7.938	2.273	0.994	2566	2.545	10	239.1	196.2	11.14	1.840	1.016	2.142	1.601	160.6	1.235
Portugal	(Es)	19.56	3.687	3.320	0.951	0.416	1073	1.065	4.183	100.	82.07	4.658	0.770	0.425	0.896	0.670	67.19	0.516
Spain	(Pta)	23.84	4.492	4.046	1.158	0.506	1308	1.297	5.097	121.9	100.	5.676	0.938	0.518	1.092	0.816	81.87	0.629
Sweden	(SKr)	42.00	7.915	7.129	2.041	0.892	2304	2.286	8.980	214.7	176.2	10	1.652	0.912	1.923	1.438	144.3	1.109
Switzerland	(SFr)	25.42	4.790	4.314	1.235	0.540	1394	1.383	5.435	129.9	106.6	6.052	1	0.552	1.164	0.870	87.30	0.671
UK	(£)	46.03	8.675	7.813	2.237	0.978	2525	2.505	9.842	235.3	193.1	10.96	1.811	1	2.108	1.576	158.1	1.215
Canada	(C$)	21.84	4.115	3.706	1.061	0.464	1198	1.188	4.669	111.6	91.60	5.199	0.859	0.474	1	0.748	75.00	0.576
US	($)	29.21	5.504	4.957	1.419	0.621	1602	1.589	6.245	149.3	122.5	6.954	1.149	0.635	1.338	1	100.3	0.771
Japan	(Y)	29.11	5.487	4.942	1.415	0.619	1597	1.584	6.225	148.8	122.1	6.932	1.145	0.633	1.333	0.997	100.	0.769
Ecu		37.88	7.140	6.430	1.841	0.805	2078	2.062	8.100	193.7	158.9	9.021	1.491	0.823	1.735	1.297	130.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7037	0.7065	+0.0040	0.7072	0.7037	23,437	49,785
Mar	0.7092	0.7096	+0.0040	0.7100	0.7090	61	2,535
Jun	-	0.7087	-	-	-	1	69

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8723	0.8763	+0.0054	0.8774	0.8723	16,187	31,669
Mar	0.8844	0.8838	+0.0049	0.8845	0.8832	609	1,782
Jun	-	0.8854	-0.0049	-	-	380	402

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0019	1.0056	+0.0055	1.0062	1.0008	13,744	57,299
Mar	1.0195	1.0196	+0.0052	1.0203	1.0193	70	8,731
Jun	-	1.0279	-	-	-	1	320

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5722	1.5736	+0.0022	1.5742	1.5722	3,342	35,995
Mar	-	1.5710	-	1.5710	-	37	149
Jun	-	1.5660	-	1.5660	-	2	10

EMS EUROPEAN CURRENCY UNIT RATES

Oct 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09800	-0.00227	-2.61	6.20	19
Belgium	39.3960	38.5085	-0.0369	-2.25	5.82	16
Germany	1.91007	1.87239	-0.00196	-1.97	5.51	20
Austria	13.4383	13.1765	-0.0129	-1.95	5.49	14
Spain	162.493	161.501	-0.004	-0.61	4.07	4
Denmark	7.28580	7.25910	-0.01212	-0.37	3.81	3
Portugal	195.792	196.988	+0.113	0.61	2.80	-4
France	6.40608	6.53418	+0.00717	2.00	1.40	-17
Ireland	0.792214	0.819402	+0.001036	3.43	0.00	-23
NON ERM MEMBERS						
Greece	292.867	306.749	-0.141	4.74	-1.25	-
Italy	2106.15	2112.52	+6.98	0.30	3.12	-
UK	0.786652	0.837345	+0	6.33	-2.72	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
1.540	3.30	3.46	3.99	-	0.26	0.82
1.550	2.35	2.64	3.29	-	0.44	1.13
1.560	1.35	1.97	2.66	-	0.65	1.50
1.570	0.35	1.37	2.16	-	1.04	1.95
1.580	-	0.90	1.92	0.51	1.58	2.21
1.590	-	0.55	1.69	1.50	2.23	2.49

Previous day's vol., Calls 16,581 Puts 7,432. Prev. day's open int., Calls 272,749 Puts 293,481

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williman Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK INTEREST RATES

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.29	93.25	-0.02	93.29	93.24	7153	95737
Mar	93.27	93.26	-0.01	93.30	93.25	11984	59395
Jun	93.17	93.19	+0.02	93.22	93.16	7325	43793
Sep	92.99	92.98	+0.01	93.03	92.96	3339	33090
Dec	92.78	92.77	+0.01	92.82	92.75	761	24766

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9325	0.12	0.30	0.41	0.12	0.29	0.47
9350	0.04	0.18	0.29	0.29	0.42	0.60
9375	0.01	0.10	0.20	0.51	0.59	0.76

Est. vol. total, Calls 3763 Puts 7253. Previous day's open int., Calls 141677 Puts 129915

LONDON MONEY RATES

Oct 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅝ - 2	6 13/16 - 6 7/16	6¾ - 6⅝	6 13/16 - 6 11/16	6⅞ - 6¾	6 15/16 - 6 13/16
Sterling CDs	-	-	6 11/16 - 6⅝	6¾ - 6 11/16	6¾ - 6 11/16	6¾ - 6 11/16
Treasury Bills	-	-	6⅝ - 6½	6⅝ - 6½	-	-
Bank Bills	-	-	6 11/16 - 6 9/16	6 11/16 - 6⅝	6⅝ - 6⅝	-
Local authority deps.	6 11/16 - 6⅛	6 11/16 - 6⅝	6 11/16 - 6⅝	6 13/16 - 6 11/16	6⅞ - 6¾	6 15/16 - 6 13/16
Discount Market deps	6⅝ - 6⅜	6 11/16 - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5½	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.6001pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 26, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf.		50¾	—	58	50¾	8.31	19.8	—
9¾pc Non-Cum Pf		4¼	—	119½	3	1.80	—	—
Cater Allen		483	—	525	418	157.5	7.5	7.3
Close Bros		318xd	+9	*340½	218¼	381.9	3.4	ɸ
Gerrard & Nat.		448	—	490	385	278.8	6.3	14.5
Hambros		273	—	253	180	377.2	4.4	58.7
7½pc Cv Pf		104	-½	112	94	134.0	9.0	—
Joseph (L)		423	-2	483	353	22.4	5.2	23.6
King & Shaxson		129	—	145	85	33.2	8.7	10.0
Rea Brothers		45	-1	97	44	21.9	2.8	18.0
Schroders		1395xd	-10	*1478	906¼	2,850	1.3	19.3
N/V		1103xd	-2	*1180	823¼	485.3	1.6	15.7
Singer & Fried.		187xd	—	118	81	210.5	4.3	11.1
Union		118	—	121	70	29.3	3.4	—
Wintrust		285	—	296	200	25.1	4.8	16.9

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£28⅝	+⅞	£28⅝	£21⅛	7,988	4.9	9.8
ANZ A$		271	+2	280	198	3,766	5.1	8.1
Abbey National		568xd	-6	577½	473	7,431	4.3	11.3
Allied Irish I£		330	—	330	250	2,159	4.4	9.6
Anglo Irish I£		62	—	63	48	213.4	7.1	12.5
Asahi Y		654¼	+¼	697¼	632¼	15,189	0.7	—
Banco Bil Viz Pta		£19½	+⅛	£20½	£14⅜	4,428	4.2	8.8
Banco Sant Pta		£28⅞	—	£27¼	£22⅜	4,222	5.1	17.8
Bk Ireland I£		425	—	425	298	2,028	3.8	8.5
Bank Scotland		288xd	+½	289½	191½	3,051	3.0	11.5

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

TELECOMMUNICATIONS

TEXTILES & APPAREL

AMERICANS

CANADIANS

RETAILERS, FOOD

PAPER, PACKAGING & PRINTING

RETAILERS, GENERAL

OTHER INVESTMENT TRUSTS

TOBACCO

TRANSPORT

PHARMACEUTICALS

INVESTMENT COMPANIES

OIL EXPLORATION & PRODUCTION

PROPERTY

SPIRITS, WINES & CIDERS

WATER

SUPPORT SERVICES

AIM

OIL, INTEGRATED

LEISURE & HOTELS

SOUTH AFRICANS

	Notes	Price	+ or –	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31[illegible]	—	£34	£29	2,189	2.6	Φ
Barlow	♣	[illegible]	+[illegible]	[illegible]	[illegible]	1,803	1.2	29.4
Gold Flds Prop R		188xd	+10	182	118	15.3	6.9	6.9
NK Props		88	—	95	85	3.46	13.5	-
SASOL	♥	647	-2	649	435	3,203	2.5	-
SA Brews		£20¼	-⅛	£20¼	£12⅞	5,742	1.7	Φ
Standard Bank	□	£22[illegible]	+[illegible]	£22[illegible]	£20[illegible]	2,728	2.0	16.1
Tiger Oats		1022	+2	1022	700	1,537	1.4	24.7
Tongaat-Hulett	th	805	+14	835	636	738.7	1.7	24.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ● Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Frères Asset Management (CI) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Scudder Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Ltd

Hambros Fund Managers (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Frères Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

The Fiduciary Trust Global Fund

GT Asset Management (Ireland) Ltd

Guinness Flight Select Funds Plc

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Kleinwort Benson Bond Arbitrage Fund Plc

Korea Open Fund

Korea Strategic Growth Fund

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Ulster Bank Investment Services

ISLE OF MAN (SIB RECOGNISED)

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mngt

JERSEY (SIB RECOGNISED)

Coutts & Co (Jersey) Fund Managers Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

Standard Bank Fund Mngr (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

Fleming Group

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Schroder Mngt Services (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (a)

American Phoenix Investment Portfolios (a)

Den norske Bank

Dolphin Intl Investments (a) SICAV

Fidelity Funds (a)

Fleming Group

Foreign & Colonial Emerging Markets Ltd (a)

Templeton Global Strategy Funds

Thornton Investment Management Ltd

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (a)

Alliance Capital

Banque Paribas Luxembourg

Citicorp Investment Mngt (Luxembourg) SA

Mercury Asset Management S.A.

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	Selling Price	Buying Price	+ or -	Yield Gross

Cradle Investment Funds

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Professional Investment Consultants

CA Securities Investment Fund Mangt Ltd

Global Asset Management - Contd.

Magna Asset Management Ltd

Republic Funds

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OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Equities take a breather after recent upsurge

By Steve Thompson,
UK Stock Market Editor

The non-appearance of the much-rumoured mega-bid in the FT-SE 100 yesterday saw the UK stock market take a backward step yesterday. But marketmakers were insistent that at least one big bid was about to be launched in London, with the possibility of more to come in the short term.

News released late in the afternoon that Siemens, the German electronics giant, is due to announce later today a substantial acquisition and strategic tie-up with a UK company caused a frisson of excitement in the telecommunications sector, where Securicor and Cable and Wireless raced ahead.

The flurry of excitement came too late to head off a disappointing performance by UK equities after last week's tumultuous performance which saw the FT-SE 100 plunge some 50 points in a single session only to climb more than 100 points in the following three trading days.

At the close the FT-SE 100 index was 10.7 easier at 3,557.3. The FT-SE Mid 250 performed marginally better than the premier index, settling 6.3 off at 3,939.0.

Marketmakers and strategists were not unduly disturbed with the equity market's display yesterday. Dealers said marketmakers had been caught on the wrong foot by the massive swings in sentiment last week.

Dealers were on the defensive from the outset, with small bouts of profit-taking and no fresh takeover stories prompting them to lower their opening prices. A sluggish showing by gilts and international bonds gave no help to shares.

The Footsie started just over a point easier and drifted for the first hour, before moving decisively lower in mid-morning when London began to pick up hints of a lower opening for Wall Street.

The Wall Street indications proved correct, with the Dow Jones Industrial Average coming in weaker and posting a double-digit loss within an hour of the start of US trading. Down 16.2 at its worst, just before midday, the Footsie subsequently picked up to close around five points off its low for the day.

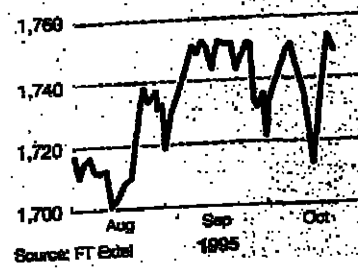
Senior marketmakers said the institutions, which pumped substantial amounts of cash into equities in the second half of last week, partly because they thought the market had been oversold and partly because of the prospect of imminent takeover developments, had moved back to the sidelines yesterday.

There were renewed concerns among investors about the possibility of further shocks on Wall Street as the third-quarter reporting season continues to unfold. "Marketmakers were very twitchy about results from Intel and Microsoft later today and from IBM tomorrow," said one trader. Warnings from high-technology stocks Novell and Motorola triggered the big sell-off on Wall Street last week.

Turnover in equities at 6pm was a disappointing 497m shares, well down from Friday's 683.7m, when customer, or retail, business was worth £1.88bn.

News that supermarket group Asda has embarked on an aggressive price-cutting war in over the counter drugs hurt shares of Boots, Unichem and Lloyds Chemists.

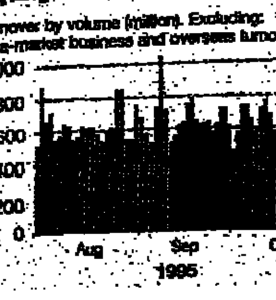
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3557.3	-10.7
FT-SE Mid 250	3939.0	-6.3
FT-SE-A 350	1771.3	-4.7
FT-SE-A All-Share	1749.74	-4.41
FT-SE-A All-Share yield	3.81	(3.80)
FT Ordinary index	2614.4	-14.2
FT-SE-A Non Fins p/e	16.99	(17.04)
FT-SE 100 Fut Dec	3588.0	-4.0
10 yr Gilt yield	8.12	(8.06)
Long gilt/equity yld ratio:	2.20	(2.20)

Best performing sectors

1. Telecommunications .... +1.1
2. Oil Exploration & Prod .... +0.7
3. Household Goods .... +0.6
4. Leisure & Hotels .... +0.5
5. Insurance .... +0.5

Worst performing sectors

1. Gas Distribution .... -3.2
2. Retailers, Food .... -1.5
3. Health Care .... -1.2
4. Tobacco .... -1.2
5. Retailers, General .... -0.9

Siemens hint lifts C&W

Cable and Wireless topped the Footsie performance charts yesterday as the market latched on to a statement from Siemens.

The German electronics group said it would announce an acquisition and strategic partnership with a leading UK telecommunications carrier tomorrow.

Analysts believe the most logical move would be for Siemens to buy the communications equipment business of Mercury, C&W's 80 per cent owned subsidiary.

C&W wrote off £180m of goodwill last year in preparation of the disposal, which could net some £150m. On its own the deal is not huge but Mr James McCafferty of ABN Amro Hoare Govett said: "Cable has been making disposals of late which tend to focus investors' attention on the value within the group."

Also, the phrase "strategic partnership" in Siemens's statement implied to some analysts that it might be interested in a bigger deal – possibly buying the 20 per cent of Mercury owned by Bell Canada. Finally, there were suggestions – largely discounted – that Siemens might instead buy the 40 per cent stake in Cellnet owned by Securicor.

Cable shares jumped 9 to 426p, while Securicor improved 30 to 1083p in the "A"s.

Reed challenged

International magazine publisher Reed International dropped after a company meeting with selected analysts gave rise to some concern.

The meeting, with media specialists from BZW, Panmure Gordon and Smith New Court, had been known about for some time and had given rise to the possibility of slight profits warnings.

In fact, the company gave a broadly positive outlook and no hint that forecasts should be lowered. But by this time some of the more bearish analysts were latching on to a press story about competition from McGraw Hill, of the US, and putting two and two together.

The shares slid 19 to 945p, making a drop of 50 in the past three weeks. Ms Lorna Tilbian of Panmure Gordon said that at that level the stock was good value and reiterated her positive stance.

Price war fears

News that UK supermarket chain Asda Group had launched a price war in the field of over the counter branded vitamins, minerals and supplements sent shares in several high street retailers falling sharply.

The retreat came as dealers suggested that the move by Asda could herald price cuts in a wide range of non-prescription drugs.

Boots was one of the day's main casualties, tumbling 15½ to 568p, though dealers also attributed Boots' fall to general profit-taking after last week's advance and the weakness in the market.

Also hit hard was Lloyds Chemists, down 17 at 228p, the day's biggest retreat in the FT-SE Mid 250. Kingfisher, owner of the Superdrug chain, also came under pressure and lost 8 at 502p.

"Clearly Asda's move is significant, it is something that could develop but could is the key word," said Rodney Forest at Credit Lyonnais Laing, while another analyst said simply: "Frankly, today's falls are overdone. It is too early to tell the full effects of the Asda move."

Asda shares closed 1¼ lower at 103½p after trade of 12m.

Ladbroke bought

A clutch of brokers' recommendations boosted hotels and leisure group Ladbroke, helping the stock move against the poor market trend.

The shares hardened 2 to 169p, as UBS turned a buyer of the stock after a long period of caution and Kleinwort Benson reiterated its positive recommendation.

Mr Paul Heath at UBS believes the stock offers good value and said: "We think there is upside in the stock over the next two years, based on UK deregulation of gambling, plus strong European and Far Eastern profits growth for Hilton hotels."

Ladbroke owns Hilton hotels outside the US and there has been increasing speculation that the UK group will soon announce a deal of some sort with the US Hilton. The team at UBS believe: "A number of scenarios are possible, each of which we will take as positive for the share price."

Kleinwort Benson, which published a buy note on the stock a month ago, reiterated its recommendation and said it continues to believe "there would be a merger between Ladbroke and the hotels business of HHC, rather than outright acquisition by Ladbroke". Such a move, Kleinwort said, "involves lower debt, enhances earnings without the issue of new equity, and thus lowers the risk profile".

Concern over the German building industry hit UK stocks with a strong presence in the country.

BPB Industries, the plasterboard maker, fell as analysts cut profits estimates for next year because of slowing growth in the industry.

Investment bank BZW cut its forecast for the period ending March 1997 by £25m to £180m and published a sell recommendation on the stock. And James Capel, which retains its buy stance, has cut its estimate by £15m to £200m. BPB fell 6 to 277p, near its low for the year.

Also, Caradon was flat at 202½p after forecasting a deterioration in conditions for its German unit.

British Gas appeared to fall heavily but the weakness included an 8p dividend. At the close the shares were only 2½ lower at 243p as the company appeared to respond to criticism about its long term share option scheme with confirmation that chief executive Mr Cedric Brown was not accepting the benefits. Gas also signalled substantial boardroom changes.

Oil exploration and production stock Enterprise built on recent gains, as the market responded to positive Sunday press comment and the hope of good news from drilling operations in Italy and the Norwegian section of the North Sea. The shares rose 7 to 356p.

Yorkshire Electricity gained 6 to 915p on reports that it plans a special dividend, costing £300m, in order to ward off potential predators. The regional electricity group is expected to announce its plans after details are published of the planned demerger of the National Grid.

The torrent of takeover speculation that has flooded the utilities sector appeared to have been temporarily stemmed as the big bid the market had been expecting on Friday failed to materialise. However, weekend comment repeating old hints of a move by Thames Water for London Electricity saw the former fall 6 to 533p and the latter hold steady at 913p.

Continued fears of a supermarket price war weakened Argyll Group. The shares lost 9½ to 336½p, while J. Sainsbury fell 8 to 427p.

Land Securities continued to suffer from Friday's downgrading by Kleinwort Benson of its net asset value (nav). The shares lost another 4 to 588p.

British Airways hardened a penny to 474½p as the group carried out a presentation to investors.

FINANCIAL TIMES EQUITY INDICES

	Oct 16	Oct 13	Oct 12	Oct 11	Oct 10	Yr ago	*High	*Low
Ordinary Share	2614.4	2628.6	2601.3	2562.3	2553.5	2400.4	2666.5	2238.3
Ord. div. yield	4.08	4.07	4.12	4.18	4.20	4.29	4.73	4.02
P/E ratio net	15.81	15.85	15.65	15.40	15.35	18.82	21.33	15.35
P/E ratio nil	15.63	15.66	15.47	15.22	15.17	18.35	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2622.9	2622.2	2618.3	2613.1	2611.6	2611.8	2611.2	2612.2	2611.8	2624.2	2610.4

	Oct 16	Oct 13	Oct 12	Oct 11	Oct 10	Yr ago
SEAQ bargains	30,199	30,585	29,997	30,676	33,214	23,948
Equity turnover (£m)†	-	1884.1	2027.2	2387.8	1971.2	1519.7
Equity bargains†	-	35,477	34,763	38,104	38,451	28,972
Shares traded (mil)†	-	586.7	679.9	769.6	737.8	549.0

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	560	Total Highs	98	Total contracts	31,662
Total Falls	669	Total Lows	35	Calls	17,782
Same	1642			Puts	13,790

Oct. 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3593.0	3588.0	-4.0	3602.0	3576.0	6604	84413
Mar	-	3616.5	-4.0	-	-	0	2652
Jun	-	3621.5	-4.0	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3970.0	-10.0	-	-	0	3538

■ FT-SE 100 INDEX OPTION (LIFFE) (*3556) £10 per full index point

	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P
Oct	168	1	119	1	72	4½	31½	14½	7½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	191	12	148½	19½	109½	31	75	48	47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	211	25½	173	37½	135	50	103½	68½	74½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	234½	37			162½	64½			104	[illegible]			[illegible]	[illegible]		
Jun†	293½	87½			229	120½			173	[illegible]			[illegible]	[illegible]		

Calls 3,193 Puts 2,467

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P
Oct	193	1½	143½	1½	95	2	51	8½	18½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	212	8	167½	13½	127	22½	88½	34	56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	232	21½	189½	28½	150½	38½	113½	51	82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar			243½	58			173	84			[illegible]	[illegible]				
Jun†			276½	88			215	123			[illegible]	[illegible]				

Calls 803 Puts 847 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	15.2	71	50	Consolidated Coal	69		-	-	-	-
-	F.P.	5.82	125	120	†Euro Sales Fin	125		-	-	-	-
-	F.P.	0.59	28	17½	German Sml Wts	18		-	-	-	-
-	F.P.	5.70	40	25	Hay & Robertson	38	+2	v-	-	-	-
45	F.P.	17.3	61	52	†MultiMedia	60		v-	-	-	-
-	F.P.	19.3	105	100	Murray Vct	105		-	-	-	-
-	F.P.	5.37	96	70	†Omnicare	87	+1	Hv1.5	4.0	2.2	14.5
-	F.P.	14.4	61	60	Pemberstone	60		v-	-	-	-
100	F.P.	30.6	104	99	Pictet British	102		-	-	-	-
400	F.P.	3.62	400	400	†Preston Nth End	400		v-	-	-	-
125	F.P.	12.7	133	6½	†SCS Satellite	123	-2	-	-	-	-
149	F.P.	43.1	185	168	Universal Salvage	183		Mv5.07	1.7	3.5	21.2
-	F.P.	-	½	½	Upton & Sthn Wts	½		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 13	% chg on day	Oct 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1921.84	+0.5	1916.88	2242.30	1.95	-	2304.73	1637.91
■ Regional Indices								
Africa (16)	2644.73	+0.5	2630.35	3536.70	4.10	24.36	3711.87	2428.19
Australasia (6)	2361.15	+0.2	2355.83	2791.21	2.14	26.01	2951.49	1788.20
North America (12)	1651.08	+0.1	1648.82	1777.91	0.81	47.36	1831.00	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Oct 16	Day's chge%	Oct 13	Oct 12	Oct 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3557.3	-0.3	3568.0	3523.8	3474.3	3120.2	3.97	2.07	15.22	125.35	1410.99
FT-SE Mid 250	3939.0	-0.2	3945.3	3938.4	3919.8	3548.0	3.46	1.84	19.57	117.81	1532.83
FT-SE Mid 250 ex Inv Trusts	3960.2	-0.1	3968.1	3960.2	3945.5	3541.9	3.60	1.90	18.28	123.31	1541.03
FT-SE-A 350	1771.3	-0.3	1776.0	1758.0	1737.3	1583.0	3.85	2.02	16.02	60.30	1485.81
FT-SE-A 350 Higher Yield	1764.8	-0.3	1770.9	1753.2	1732.3	1566.4	4.91	1.82	13.98	75.98	1186.62
FT-SE-A 350 Lower Yield	1782.5	-0.2	1785.9	1767.6	1748.8	1520.7	2.77	2.39	18.87	43.33	1206.82
FT-SE SmallCap	1964.12	....	1964.73	1960.69	1958.68	1800.15	3.30	1.67	22.68	53.11	1580.56
FT-SE SmallCap ex Inv Trusts	1949.37	....	1949.80	1947.03	1946.17	1767.86	3.52	1.74	20.37	55.79	1576.85
FT-SE-A ALL-SHARE	1749.74	-0.3	1754.15	1737.42	1718.30	1548.45	3.81	2.00	16.38	58.62	1441.55

■ FT-SE Actuaries All-Share

	Oct 16	Day's chge%	Oct 13	Oct 12	Oct 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2921.72	....	2922.78	2908.40	2878.04	2753.36	3.86	2.09	15.52	105.02	1224.54
12 Extractive Industries(7)	4168.84	-0.4	4187.63	4173.86	4061.05	4013.97	3.55	2.51	14.02	143.77	1195.30
15 Oil, Integrated(3)	2894.04	....	2894.25	2882.80	2860.63	2707.47	4.06	2.04	15.12	107.92	1241.85
16 Oil Exploration & Prod(13)	1965.26	+0.7	1952.54	1915.80	1894.54	1904.00	2.56	1.48	32.98	49.86	1166.51
20 GEN INDUSTRIALS(276)	1969.65	-0.2	1973.98	1967.63	1955.62	1903.74	4.18	1.83	16.33	70.36	1051.10
21 Building & Construction(38)	917.10	-0.3	919.44	915.52	913.36	1071.57	4.44	1.87	15.07	36.55	752.65
22 Building Matls & Merchs(31)	1709.44	-0.5	1717.29	1712.30	1698.40	1859.42	4.32	2.02	14.36	65.12	844.25
23 Chemicals(23)	2447.80	-0.2	2451.60	2454.27	2429.61	2367.05	3.93	1.82	17.41	80.65	1132.67
24 Diversified Industrials(20)	1768.37	-0.2	1771.85	1763.60	1746.94	1819.90	5.61	1.58	14.14	87.22	960.89
25 Electronic & Elect Equip(36)	2178.29	-0.7	2192.95	2167.77	2146.84	1924.82	3.44	1.93	18.83	61.51	1110.02
26 Engineering(69)	2161.26	....	2160.71	2156.89	2153.20	1830.80	3.36	1.99	18.67	58.48	1284.20
27 Engineering, Vehicles(13)	2581.87	-0.6	2596.19	2615.73	2614.22	2260.72	3.63	1.39	24.85	89.48	1313.30
28 Paper, Pckg & Printing(27)	2888.70	+0.4	2877.41	2862.88	2845.81	2802.66	3.46	2.48	14.56	86.90	1178.82
29 Textiles & Apparel(21)	1577.61	-0.5	1585.18	1583.26	1592.32	1631.77	4.58	1.78	15.34	51.24	932.90
30 CONSUMER GOODS(92)	3458.19	-0.4	3472.00	3430.23	3389.64	2790.25	3.86	1.76	18.38	117.56	1248.60
31 Breweries(18)	2680.93	....	2679.82	2640.76	2608.23	2228.26	3.71	1.99	16.89	62.79	1254.08
32 Spirits, Wines & Ciders(10)	2985.89	+0.1	2983.28	2930.63	2877.82	2877.20	4.00	1.84	16.94	106.86	1049.87
33 Food Producers(24)	2539.63	-0.7	2557.66	2560.81	2515.12	2317.01	3.99	1.76	17.83	80.34	1116.98
34 Household Goods(11)	2643.69	+0.6	2626.90	2572.28	2556.24	2416.12	3.60	2.05	16.89	59.15	980.68
36 Health Care(17)	2011.40	-1.2	2036.62	2034.60	2019.80	1639.93	2.59	1.82	26.50	48.10	1208.42
37 Pharmaceuticals(11)	4550.71	-0.4	4566.90	4501.52	4459.50	3081.89	3.55	1.57	22.36	153.87	1517.33
38 Tobacco(1)	4646.28	-1.2	4701.34	4620.87	4808.16	3854.79	5.16	1.90	12.77	229.23	1124.07
40 SERVICES(226)	2182.57	-0.5	2193.35	2165.35	2138.84	1919.34	3.05	2.07	19.81	58.07	1113.42
41 Distributors(30)	2708.14	-0.5	2721.68	2713.91	2705.45	2562.90	3.66	1.75	19.50	73.32	975.15
42 Leisure & Hotels(29)	2525.46	+0.5	2512.07	2466.69	2424.39	2082.28	3.17	1.85	21.31	73.28	1293.41
43 Media(43)	3388.94	-0.5	3405.43	3355.79	3315.36	2826.74	2.15	2.40	24.26	77.51	1211.47
44 Retailers, Food(16)	2100.99	-1.5	2132.70	2110.63	2090.51	1713.49	3.43	2.41	15.14	58.55	1306.13
45 Retailers, General(44)	1795.50	-0.9	1811.62	1788.41	1780.78	1655.46	3.26	2.17	17.71	48.43	1005.90
48 Support Services(37)	1858.15	+0.1	1855.55	1833.41	1825.22	1509.63	2.46	2.44	20.97	34.98	1168.17
49 Transport(20)	2202.28	+0.1	2199.84	2178.83	2150.54	2272.42	3.91	1.29	24.84	72.68	898.78
51 Other Services & Business(7)	1204.46	+0.1	1203.48	1202.33	1202.72	1252.76	4.22	1.43	20.70	38.30	1078.33
60 UTILITIES(36)	2527.94	+0.1	2525.03	2523.70	2498.25	2425.70	4.51	2.01	13.80	95.19	1032.59
62 Electricity(14)	2797.16	+0.2	2792.23	2778.16	2751.84	2459.45	3.98	2.92	10.75	116.18	1244.81
64 Gas Distribution(2)	1618.89	-3.2	1672.90	1656.42	1634.02	1934.57	7.40	0.65	26.03	119.82	812.22
66 Telecommunications(7)	2125.14	+1.1	2102.81	2106.81	2078.09	2083.30	3.86	1.71	18.96	51.48	945.22
68 Water(13)	2088.55	-0.3	2095.85	2114.04	2119.81	1890.33	5.49	2.75	8.29	85.07	1110.06
69 NON-FINANCIALS(655)	1858.90	-0.3	1863.81	1849.58	1830.76	1674.42	3.83	1.92	16.99	62.01	1375.72
70 FINANCIALS(113)	2726.70	-0.2	2732.20	2681.43	2639.46	2182.13	4.08	2.45	12.49	101.82	1137.78
71 Banks, Retail(9)	3827.58	-0.4	3843.87	3748.32	3679.75	2851.96	3.80	2.82	11.67	140.81	1207.22
72 Banks, Merchant(6)	3640.31	-0.1	3645.37	3494.03	3485.91	2749.04	2.55	2.74	17.90	91.76	1136.98
73 Insurance(25)	1360.61	+0.5	1353.46	1331.40	1299.69	1270.88	5.42	2.69	8.59	64.55	990.85
74 Life Assurance(6)	3111.80	....	3111.29	3086.51	3023.82	2364.50	4.48	1.53	18.17	136.72	1267.67
77 Other Financial(22)	2394.10	+0.3	2386.14	2370.49	2348.86	1834.70	3.69	1.95	17.43	62.49	1333.68
79 Property(45)	1388.96	-0.4	1394.39	1400.53	1409.71	1480.35	4.45	1.34	21.01	46.36	832.39
80 INVESTMENT TRUSTS(133)	2940.13	-0.2	2947.28	2923.04	2901.37	2778.43	2.23	1.07	52.65	53.40	1012.86
89 FT-SE-A ALL-SHARE(901)	1749.74	-0.3	1754.15	1737.42	1718.30	1548.45	3.81	2.00	16.38	58.62	1441.55
FT-SE-A Fledgling	1075.46	+0.1	1074.79	1071.41	1068.01	-	2.83	1.23	35.86	25.40	1102.97
FT-SE-A Fledgling ex Inv Trusts	1073.34	+0.1	1072.66	1069.36	1065.61	-	2.98	1.28	32.74	26.43	1102.03

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3566.5	3565.0	3557.9	3552.2	3551.8	3553.0	3552.8	3555.5	3558.4	3567.0	3551.8
FT-SE Mid 250	3943.2	3942.5	3940.2	3938.3	3938.5	3936.8	3936.4	3938.2	3938.7	3943.8	3936.2
FT-SE-A 350	1775.3	1774.8	1771.6	1769.2	1768.9	1769.4	1769.3	1770.5	1770.9	1775.5	1768.9

Time of FT-SE 100 Day's high: 8.32am Day's low: 11.59am. FT-SE 100 1995 High: 3570.8(13/9) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	920.9	920.9	920.5	920.5	920.7	920.7	920.7	920.2	919.1	918.6	921.5	-2.9
Pharmaceuticls	4511.8	4514.1	4500.1	4485.6	4485.6	4487.4	4487.2	4494.7	4498.6	4497.4	4513.4	-16.0
Water	2081.7	2081.6	2079.6	2080.1	2081.6	2080.2	2080.2	2081.7	2082.0	2084.1	2091.5	-7.4
Banks, Retail	3992.2	3988.7	3875.4	3863.9	3868.4	3872.5	3872.2	3876.3	3875.8	3876.4	3892.9	-16.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 16 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 16 / Frs.)

[illegible]

CZECH REP (Oct 16 / Koruna)

[illegible]

DENMARK (Oct 16 / Kr)

[illegible]

FINLAND (Oct 16 / Mka)

[illegible]

FRANCE (Oct 16 / Frs.)

[illegible]

GERMANY (Oct 16 / Dm.)

[illegible]

GREECE (Oct 16 / Drachma)

[illegible]

ITALY (Oct 16 / Lire)

[illegible]

NETHERLANDS (Oct 16 / Fl.)

[illegible]

NORWAY (Oct 16 / Kroner)

[illegible]

POLAND (Oct 16 / Zloty)

[illegible]

PORTUGAL (Oct 16 / Escudo)

[illegible]

SPAIN (Oct 16 / Pts.)

[illegible]

SWEDEN (Oct 16 / Kronor)

[illegible]

SWITZERLAND (Oct 16 / Frs.)

[illegible]

TURKEY (Oct 16 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Oct 16 / Yen)

[illegible]

AUSTRALIA (Oct 16 / Aust$)

[illegible]

HONG KONG (Oct 16 / H.K.$)

[illegible]

INDONESIA (Oct 16 / Rupiah)

[illegible]

MALAYSIA (Oct 16 / MYR)

[illegible]

NEW ZEALAND (Oct 16 / NZ $)

[illegible]

SINGAPORE (Oct 16 / S$)

[illegible]

SOUTH KOREA (Oct 16 / Won)

[illegible]

TAIWAN (Oct 16 / TW $)

[illegible]

THAILAND (Oct 16 / Baht)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Oct 16 / Can $)
4 pm close

[illegible]

MONTREAL (Oct 16 / Can $)
4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Oct 16 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (data in Canadian dollars). [illegible]

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INDICES

	Oct 16	Oct 13	Oct 12	1995 High		1995 Low	
Argentina							
General (29/12/77)	(c)	13937.11	13899.21	16531.10	2/1	9831.08	9/3
Australia							
All Ordinaries(1/1/80)	2110.0	2099.0	2078.4	2166.00	18/9	1823.30	8/2
All Mining(1/1/80)	951.6	943.7	932.2	1029.60	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	341.26	345.30	343.36	395.42	2/1	341.26	16/10
Traded Index(2/1/91)	928.22	945.41	938.11	1056.31	2/1	928.22	16/10
Belgium							
BEL20 (1/1/91)	1424.03	1426.10	1407.71	1491.38	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(c)	45136.0	(c)	49812.00	19/9	4531.60	8/9
Canada							
Metals Mins♦(1975)	(u)	4683.99	4624.70	5282.77	21/8	3888.63	1/3
Composite♦ (1975)	(u)	4507.80	4476.70	4718.39	12/7	3991.41	30/1
Portfolio§§ (4/1/83)	(u)	2201.66	2183.58	2307.81	12/7	1983.36	30/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5923.3	(c)	6363.10	11/7	4578.90	9/3
Denmark							
CopenhagenSE(3/1/83)	363.10	362.75	362.47	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	2108.40	2128.13†	2088.85	2332.22	14/8	1555.30	29/3
France							
SBF 250 (31/12/90)	1199.41	1211.88	1205.33	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1790.49	1817.03	1803.75	2017.27	12/5	1721.80	13/3
Germany							
FAZ Aktien(31/12/58)	800.23	798.55	791.81	846.76	19/9	706.87	30/3
Commerzbank(1/12/53)	2310.60	2305.3	2282.7	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2191.44	2198.83	2158.12	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	932.88	914.38	914.14	992.59	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	10009.28	9883.78	9895.14	10009.28	16/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3583.76	3581.97	3561.40	3932.89	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	496.01	496.56	494.52	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2158.83	2158.65	2139.42	2170.73	15/9	1813.89	23/1
Italy							
Banca Comm Ital (1972)	587.94	600.07	600.29	690.54	10/2	587.94	16/10
MIB General (2/1/95)	926.0	947.0	948.0	1076.00	10/2	926.00	16/10
Japan							
Nikkei 225 (16/5/49)	18016.44	17880.83	17871.40	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	268.31	267.10	267.10	288.16	4/1	222.28	13/6
Topix (4/1/68)	1431.28	1425.24	1426.12	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1868.49	1864.10	1862.18	2130.66	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	957.37	963.13	961.94	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2310.60	2335.49	2822.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	499.0	501.4	499.1	511.80	19/9	422.80	23/3
CBS All Shr (End 83)	302.4	303.9	302.5	311.10	15/9	265.28	23/3
New Zealand							
Cap. 40 (1/7/86)	2137.20	2108.15	2113.52	2155.79	18/5	1981.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1266.67	1257.42	1245.23	1291.58	19/9	1036.80	10/3
Philippines							
Manila Comp (2/1/85)	2636.26	2624.45	2599.80	2858.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	2602.9	2605.8	2603.7	2811.60	9/1	2580.70	25/9
Singapore							
SES All-S'pore(2/4/75)	519.62	516.94	517.25	535.86	5/1	472.80	23/1
South Africa							
JSE Gold (28/9/78)	1418.7♥	1442.5	1458.0	2023.00	2/1	1317.20	19/5
JSE Ind. (28/9/78)	7372.8♥	7347.6	7302.7	7372.80	16/10	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)⁻⁻	1007.59	1014.28	1016.66	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	301.08	302.40	(c)	318.98	13/9	203.30	26/6
Sweden							
AffarsvarldsGen (1/2/37)	1801.1	1805.3	1800.6	1872.10	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1430.66	1431.65	1424.77	1431.65	13/10	1174.83	13/3
SBC General (1/4/87)	1073.28	1071.23	1064.45	1073.28	16/10	878.58	13/3
Taiwan							
WeightedPr.(30/6/66)⁻⁻	5038.98	5115.82	5108.83	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1317.04	1318.64	1323.26	1472.04	10/7	1135.88	18/3
Turkey							
Istanbul Cmp.(Jan 1986)	47295.8	43577.7	43101.7	54858.90	21/4	24844.31	23/1
WORLD							
MS Capital Intl (1/1/70)$	699.0*	697.8	696.0	703.80	29/9	598.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1410.59	1421.48	1405.03	1480.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1276.24	1289.04	1270.37	1316.96	15/9	1117.34	9/3
JCapeEngns (31/12/88)	(u)	334.96	331.86	349.47	14/7	282.97	23/1
Barings Emerg.(7/1/92)	(u)	148.20	146.33	158.07	2/1	117.35	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Oct	1820.0	1798.0	-29.0	1825.0	1797.0	19,228	27,935
Nov	1830.0	1807.0	-29.0	1830.0	1814.5	1,206	3,373
■ DAX							
Dec	2217.0	2206.0	-15.5	2222.0	2197.5	15,001	91,112
Mar	2231.5	2227.0	-14.5	2232.5	2221.5	92	4,053
■ OMX							
Oct	1437.00	1428.50	-1.50	1438.00	1422.25	3,415	15,082
Nov	1448.00	1435.00	-8.50	1448.00	1435.00	1,241	1,832
■ SOFFEX							
Oct	3117.0	3116.0	+6.0	3117.0	3106.0	5,200	16,313
Nov	3126.0	3121.0	+6.1	3126.0	3113.0	1,628	2,736
■ S&P 500							
Dec	587.90	587.40	-0.80	587.90	586.15	65,679	191,248
Mar	-	592.00	-	590.45	592.00	490	8,626
■ Nikkei 225							
Dec	17990.0	18130.0	+220.0	18200.0	17950.0	16,835	154,953
Mar	18040.0	18090.0	+170.0	18090.0	18030.0	12	4,411

Open interest figures for previous day.

⁻⁻ Sat Oct 14: Taiwan Weighted Price 5015.61; Korea Comp Ex 1016.77. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Oct 16 - 2193.65 -12.25.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Oct 13	Oct 12	Oct 11	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4793.78	4764.88	4735.25	4801.80 (14/9)	3832.08 (30/1)	4801.80 (14/9/95)	41.22 (2/7/32)
Home Bonds	103.97	103.77	103.56	103.97 (13/10)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1943.23	1923.28	1925.80	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	214.08	216.12	217.04	217.44 (10/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4845.06 (4790.16) Low 4749.70 (4708.24) (Theoretical♦)
Day's high 4816.90 (4784.88) Low 4784.88 (4735.25) (Actual♦)

Standard and Poors	Oct 13	Oct 12	Oct 11	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	584.50	583.10	579.46	586.77 (20/9)	459.11 (3/1)	586.77 (20/9/95)	4.40 (1/6/32)
Industrials♥	682.56	681.07	675.98	691.27 (20/9)	546.28 (3/1)	691.27 (20/9/95)	3.62 (21/6/32)
Financial	61.30	60.97	60.34	61.30 (13/10)	41.84 (3/1)	61.30 (13/10/95)	8.64 (1/10/74)
NYSE Comp.	313.65	312.37	310.51	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	535.39	531.80	527.54	553.58 (12/9)	433.12 (3/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1018.38	1015.63	1001.57	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 13	Oct 6	Sep 29	Year ago
Dow Jones Ind. Div. Yield	2.42	2.43	2.42	2.71
	Oct 4	Sep 27	Sep 20	Year ago
S & P Ind. Div. yield	2.08	2.07	2.05	2.43
S & P Ind. P/E ratio	17.87	17.94	18.14	20.33

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
K-Mart	10,170,800	11⅞	-⅛
Wal-Mart	7,794,400	23	+⅛
Micron	6,837,700	68⅛	-3⅝
Motorola	6,490,700	63	-¼
Ford Motor	5,634,200	31⅝	-¼
EMC	5,101,900	14¼	-⅛
Digital Equip	4,413,400	49¾	+3¼
Telefonos	3,874,600	28⅝	-⅛
Compaq	3,810,300	49⅛	+¼
Global Priv	3,079,800	13⅞	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Oct 13	Oct 12	Oct 11
New York SE	378.461	346.046	343.060
Amex	17.704	16.728	15.566
NASDAQ	452.853	444.870	480.398
NYSE			
Issues Traded	3,042	3,038	3,036
Rises	1,526	1,443	1,434
Falls	791	773	803
Unchanged	725	822	799
New Highs	216	157	113
New Lows	32	28	38

■ TOKYO - MOST ACTIVE STOCKS: Monday, October 16, 1995

	Stocks Traded	Closing Prices	Change on day
Tamura Elec	8.1m	1700	+50
Sumitomo Prec	7.7m	1160	+40
Nip Hag Loan	5.3m	32	+4
Dainippon Scrn	5.0m	911	+37
NKK	4.9m	266	+5
Kawasaki Steel	4.2m	355	-4
Nitto Chem	3.6m	1040	+101
Hitachi	3.3m	1050	
Toshiba	3.1m	704	
Teac Corp	3.1m	780	+17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅞	AAR	0.48	2.7	24	85	17⅞	17¾	17¾	-⅛
46¼	35	AMP	0.92	2.4	20	2289	40	39⅛	39⅛	-1
80¼	53⅞	AMR			18	914	71⅛	70	70⅛	-¾
47⅞	41¼	ASA	1.71	4.2	27	322	41¾	41⅛	41⅛	-⅝
44⅜	30¾	AbbtL x	0.84	2.1	19	10874	40⅜	39¾	39⅞	-¼
18⅞	12	AbitibiPr	0.40	2.3	20	653	17⅞	17⅛	17½	
27⅞	21	ABM Ind	0.80	2.2	14	103	28⅞	28⅝	28¾	-⅛
17½	13½	Acptncals			11	247	15⅝	15¾	15⅝	+⅛
34¾	21⅞	ACE Ltd	0.56	1.6	8	482	u35¼	34⅛	35¼	+1⅛
9⅞	8⅛	ACM Gvt In x	0.80	9.2	6	145	9¾	8⅝	9¾	
7¾	8½	ACM GvOpp x	0.66	9.1		5	7¼	7⅛	7¼	-⅛
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- F -

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4 pm close October 16

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
55⅞	39⅝	SBC Cm	1.65	3.1	18	4277	54¾	53¼	53⅜	-1⅛
24⅞	20½	Scana Corp	1.44	5.8	17	1918	u24⅞	24¾	24⅞	
18	14½	Scecorp	1.00	5.8	10	3184	17½	17⅛	17¼	
11¼	7	SchawkA	0.25	3.4	13	17	7¾	7⅝	7¾	-⅛
50¼	37¼	SchererRP			23	618	45⅜	44⅝	45	+⅜
54⅜	35½	SchrPl	1.16	2.2	19	7666	53¼	52	52½	+½
68⅝	50⅛	Schlmb	1.50	2.3	26	1309	66	65⅛	65⅞	+¼
29	11¼	Schwab(C)	0.16	0.6	27	2138	25⅝	25⅜	25¾	-½
24⅞	11⅞	SciAtl	0.06	0.4	16	3632	14¼	13¾	13¾	-⅜
20	15⅛	Scotsman	0.10	0.6	10	17	16¼	16⅛	16¼	
51⅜	33½	ScottP	0.40	0.8	17	2709	49⅝	48⅞	49½	+¼
35¾	28⅞	Scripps	0.52	1.5	24	239	35½	34⅞	35⅜	+¼
21½	14⅞	ScuddrNAsF	0.02	0.1		182	16⅝	15⅞	16⅛	
11⅝	8⅝	ScuddrNEoF x	0.16	1.5		242	10⅞	10¾	10⅞	
20	13⅜	SeaCnB	0.70	3.6	2	280	19½	19⅜	19½	
16¼	14⅝	SeaC1.4625	1.46	9.5		41	15½	15⅜	15⅜	-½
45⅞	23⅝	S'gate				912289	43¾	42½	43⅝	+⅞
38⅛	25⅝	Seagrm	0.60	1.7	24	1197	36¼	36	36	-⅛
22½	15¼	Seagull En			11	273	18¼	17⅞	18	-¼
28¼	18	Sealed Air			23	1300	25⅞	25⅝	25¾	+¼
37⅝	30⅜	SearsR	0.92	2.6	8	7924	36⅛	35⅛	35⅝	+⅛
19¼	16⅞	SecCapSBI	1.15	6.3	22	269	18¼	18⅛	18¼	+⅛
12⅞	10⅜	Seligm Sel x	0.84	6.9		93	[illegible]	[illegible]	[illegible]	[illegible]

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1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
45⅞	19⅞	Wyle Labor	0.28	0.7	21	197	41¾	41	41⅞	-⅝
28¼	19½	Wynns Int	0.52	2.0	11	119	26⅞	25⅝	25⅝	-⅛
195⅜	96½	Xerox	3.00	2.2	17	1555	134¼	133⅜	133⅝	-⅜
52½	42½	Xtra Corp	0.64	1.5	12	999	43⅝	43⅛	43½	
22⅞	19½	Yankee Egy	1.26	5.8	13	55	21⅞	21½	21⅞	+⅛
48½	34⅛	York Int	0.24	0.6	16	285	43	42⅛	42⅞	+1
4½	2½	Zapata	0.14	3.4	9	88	4⅛	4⅛	4⅛	
12⅛	6⅞	ZeithEl			6	247	8¾	8⅝	8¾	+⅛
24⅝	19⅜	Zenith Nat	1.00	4.3	12	24	23⅛	23	23	
6⅞	6⅛	Zenix Inc	0.72	10.7		130	6¾	6⅝	6¾	
16⅞	12⅝	Zero	0.44	2.8	16	61	15⅞	15⅝	15¾	+⅛
25	16⅞	Zurn Ind	0.40	1.6	25	622	25½	25⅛	25⅛	-¾
11½	10¼	Zweig Fund	1.12	10.3		163	11	10⅞	10⅞	
9	7⅞	Zweig Tot x	0.84	9.7		170	8⅝	8½	8⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close October 16

Stock	Div.	E	Sls 100s	High	Low	Close	Chng
[illegible]							
Cntrl FdA	0.01		65	4 13/16	4¾	4¾	
Cominco	0.30	13	2	19⅝	19¼	19⅜	+¼
CmpTch		51	58	5¾	5 9/16	5 11/16	-1/16
Computrac		21	63	2 3/16	2 1/16	2 3/16	+1/16
Concd FbA		15	13	4⅝	d4 7/16	4⅝	+⅛
Greenman		20	802	u13⅞	12½	13⅝	+1⅛
Gulf Cda	0.34	5	342	4 7/16	4 5/16	4 7/16	+⅛
HanDir		68	1134	2 3/16	2	2 1/16	+⅛
Nat Pmt		1	241	2 1/16	1⅞	2 1/16	
NY TmA	0.56	12	2858	30⅛	29⅞	29⅞	-⅛
NumacE		17	9	4⅝	d4⅜	4⅝	
ViacomB			9401	49¼	48⅝	49⅛	+⅜
WRET	1.12	22	95	11¼	d11⅛	11¼	
Xytronix		3	107	2 13/16	2 9/16	2⅝	-⅛

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NASDAQ NATIONAL MARKET

4 pm close October 16

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Financials drop as tech stocks rise

Wall Street

US shares were mixed at mid-session as most sectors succumbed to some profit-taking after last week's strong gains, while technology shares continued their upward path, *writes Lisa Bransten in New York.*

By early afternoon the technology-rich Nasdaq composite was up 2.86 at 1,021.06 as traders recovered optimism that quarterly earnings would meet or beat analysts' targets.

Weighing on the minds of many traders were earnings reports due out from Microsoft and Intel, the two largest companies on the Nasdaq.

Microsoft, which was due to report today, appreciated $½ to $86⅞ and Intel, which was to report after the market closed yesterday, was $¾ higher at $63¼.

By 1 pm the Dow was 11.56 lower at 4,782.22, the Standard & Poor's 500 lost 0.48 to 584.02 and the American Stock Exchange composite was 0.31 lower at 535.08. Volume on the NYSE came to 152m shares.

Profit-taking was particularly severe on several financial shares where a number of commercial and investment banks edged lower despite reporting stronger-than-expected results.

Bear Stearns shed $⅝ of the $⅝ it had risen in the last three days of last week bringing the shares to $20⅝. Early yesterday the US investment bank reported first quarter *earnings of 67 cents a share*, one cent ahead of analysts' expectations.

Travelers Group, the parent of the broking house, Smith Barney, shed $⅞ at $53⅞ after reporting third quarter earnings of $1.35 a share, 15 cents ahead of the median expectation.

Chase Manhattan Bank, which reported third quarter earnings of $1.38 a share, 3 cents lower than expected, slipped $⅛ at $56⅛.

Kmart slipped more than 12 per cent or $1½ at $9⅞ on speculation, denied by the company, that the retailer might file for bankruptcy protection.

Texas Utilities added $1¼ at $35⅞, although the company reported a loss of $442m late on Friday and announced then that it would cut its dividend to 50 cents from 77 cents to prepare for continued restructuring in the industry.

Canada

Toronto turned back after a firm opening and by noon the TSE-300 composite index was virtually flat, trading just 0.62 easier at 4,507.16, in light volume of 21m shares.

Resource based companies *remained in the limelight. Caledonia Mining was C$½ higher* at C$5½, while Horsham, part owner of Barrick Gold, rose C$⅛ to C$18¾.

Falling issues included Diamond Fields Resources, down *C$1¼ at C$22¾ in spite of news* that the minerals explorer had opened two new areas and had positive results from its Voisey Bay nickel, copper and cobalt project in Labrador.

Alcan Aluminium picked up *C$⅜ to C$40⅞ on reports that a* Quebec union said that its members might be about to vote for a new labour contract.

Mexico recovers poise

Mexico City was worried early on in the session by fears of a further rise in interest rates, but by midsession the market had recovered its equilibrium. The IPC index was up 4.97 at 2,315.57.

The weakness of the peso had led to speculation that interest rates would rise for the fourth consecutive time during today's central bank *auction of T-bills, or cetes.*

Investors were also worried by unconfirmed reports that the government was about to liberalise the price of corn pancake tortillas, which are a staple of millions of people.

SAO PAULO was slightly weaker in heavy midday trade after settlement of options. The Bovespa index was down 106 at 45,030 by 1 pm. Turnover was high at R$1.2bn ($1.2bn).

Petrobras preferred fell 2.1 per cent to R$92.50.

● Buenos Aires was closed for a public holiday.

EUROPE

Milan at 23-month low on corporate pressures

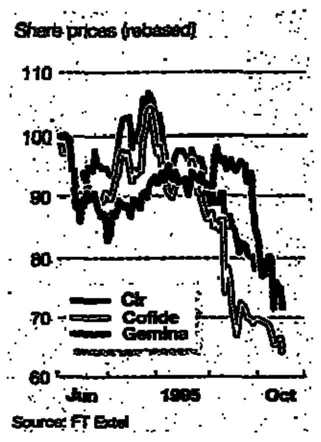
A diet of undiluted bad news faced MILAN and the Comit index fell 12.13 to a 23-month low of 587.94.

The planned merger of Gemina and Ferruzzi, which was now on hold, vied for attention with delays to the Cir and Cofide capital increases. Meanwhile, Mr Silvio Berlusconi raised the stakes in his fight for political survival by insisting that he would run for prime minister at the next election, in spite of being indicted on corruption charges.

Many analysts had acknowledged that the chaotic political situation and the lack of corporate transparency had deterred all but the most speculative of foreign investors.

However, Mr Joe Rooney at Lehman Brothers commented that the fundamental problem was a genuine lack of value in the market. The economic reforms had been meaningful, but the positive economic programme had not translated into a positive outlook for equities, he said.

Shares of companies involved in the Gemina-Ferruzzi merger proposal were marked down after the week*end decision to delay the plan.* Gemina fell L37.9 to L660 and Ferruzzi lost L55.8 at L890. Montedison was L37 lower at L1,008 and Snia dropped L122 to L1,490.



Source: FT Extel

Cir fell L10 to L990 and Cofide lost L5.8 to L450 after a consortium of financial institutions delayed plans for capital increases for the two De Benedetti holding companies.

PARIS could not hold on to *last week's gain as fresh political worries swung into view.* The CAC-40 index receded 26.54 to 1,790.49.

Galeries Lafayette fell on disappointing first-half results and a statement from the retail *group that it expected to make* a loss for the full year. Analysts said that this was a surprise turnabout since 1995 had been expected to produce a profit. *The stock slid FFr88 or* 5.5 per cent to FFr1,522, but was up from a low of FFr1,480.

Renault dipped FFr2.00 to FFr150.55 as the government was believed to have decided that Pechiney, the aluminium group, up FFr5.50 at FFr278.00, was to be the next privatisation candidate. There had been a hope that Renault's second tranche would come to the market first, but this had been dashed as the share price fell back in recent weeks.

Mr Keith Ashworth-Lord at Nikko Europe said that he had rated the motor group as a long-term buy. He said that the recent downside pressure on the company's shares was due to an overhang of stock associated with holdings by the government and Volvo. He forecast that Renault's net income would slip this year to FFr2.8bn from last year's FFr3.64bn, before recovering in *1996 to FFr3.50bn.*

FRANKFURT blamed a weaker dollar as the Dax index fell 12.26 to an Ibis-indicated 2,193.85, after Friday's celebration of the rising Dow; but the day's weakness seemed to bear *as heavily upon dollar-insensitive stocks, like the retailers,* as on their cyclical brethren.

Turnover dropped from DM6.4bn to DM4.8bn. In retailing, Kaufhof and Asko, soon to be merged with the cash & carry operation of their parent, Metro, fell another DM22.55 to DM460.25 and DM37 to DM790 respectively. Kaufhof, said analysts, faced the dilution of its department store earnings, while the discounter Asko, always a speculative stock, was running out of hot air.

Linotype Hell, the printing technology group, plunged 15.5 per cent amid speculation that the company was planning to take capital restructuring measures. The company *denied* later that it planned a capital write-down, but the shares closed the floor session off DM31 at DM169.

ZURICH looked unstoppable as the SMI index, up 7.1 at *3,116.3, closed at its fourth con*secutive high for the year.

SBC rose SFr12 to SFr463, spurred by the UBS plan to issue up to 4m call warrants on SBC's bearers.

UBS, however, picked up *from a low of SFr1,210* to close flat at SFr1,223 on news that BK Vision planned to carry out its threat, lodged a month ago, to take legal action against key members of the UBS board.

AMSTERDAM fell in line with the trend elsewhere as the AEX index dipped 2.25 to 459.15.

There were few exceptions to the downtrend, although Nedlloyd provided a notable bright spot. The stock, which suffered last week following a profits warning, recovered Fl 1.20 to Fl 42.90.

ISTANBUL enthused over news that a new coalition government was likely to be formed. The composite index jumped 5.8 per cent to 46,068 in turnover of TL18,000bn, up from Friday's TL12,100bn.

Most of the day's trading continued to come from domestic investors. Mrs Tansu Çiller, the prime minister, met the leader of the Republican People's Party (CHP) following her defeat in parliament on Sunday on a vote of confidence.

Mr Stuart Harley at Schroders in London said that, in an unstable environment, the formation of a new coalition was seen as the better of a number of unsatisfactory alternatives. However, it was likely that new elections would now be called at the earliest opportunity.

ATHENS, shaken early in the month by the assassination attempt upon the Macedonian president Mr Kiro Gligorov picked up after Greece lifted a 19-month trade embargo on its neighbour. The general index rose 18.50 to 932.88, led by a 3 per cent advance in the construction sector.

VIENNA crashed to a new 1995 low following last week's fall of the centre-left coalition government, the ATX index closing 17.19 lower at 928.22. Two letter bombs, apparently timed to coincide with a key neo-Nazi trial, were another jolt to sentiment.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Oct 16 Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1414.71	1414.63	1413.87	1413.84	1414.19	1411.29	1411.62	1410.59
FT-SE Eurotrack 200	1525.20	1525.34	1524.32	1525.26	1525.19	1523.11	1527.14	1522.47

	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9
FT-SE Eurotrack 100	1421.48	1405.03	1396.12	1377.54	1398.45
FT-SE Eurotrack 200	1531.58	1514.08	1508.53	1483.62	1517.79

Base 1000 (26/10/90); High/day: 100 - 1415.02; 200 - 1527.40 Low/day: 100 - 1410.55 200 - 1522.12 † Partial

ASIA PACIFIC

Nikkei steady as Hong Kong breaches 10,000 level

Tokyo

Share prices remained mixed ahead of the US congressional hearings over the Japanese financial system, and the Nikkei average closed moderately higher, *writes Emiko Terazono in Tokyo.*

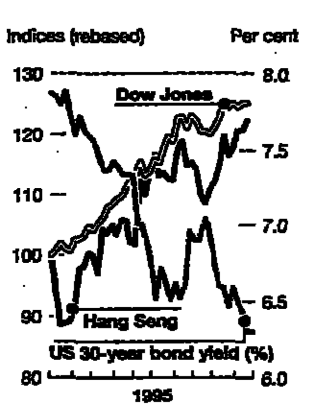
The 225-share index was up 135.61 at 18,016.44 after moving between 17,914.91 and 18,140.99, with some investors encouraged by last Friday's rally on Wall Street. The index was also *helped by futures-linked pur*chases and a rise in foods and chemicals, but lost some of its gain later on profit-taking.

Volume totalled 270m shares, against 304m. The Topix index of all first section stocks added *6.04 at 1,431.28 and the Nikkei* 300 rose 1.21 to 268.31. Advances led falls by 607 to 374, with 193 issues unchanged. In London the ISE/Nikkei 50 index put on 2.41 at 1,221.01.

Traders said concerns over the *US House of Representa*tives banking committee's hearings, which started yesterday, depressed confidence. "More bad news about Japan's financial system could provide incentives to sell banking shares short," said Mr Yasuo Ueki at Nikko Securities.

Banks closed mixed, with Daiwa Bank down Y7 to Y668, Sumitomo Bank losing Y10 to Y1,850 and Industrial Bank of Japan adding Y80 at Y2,920. Fuji Bank, sold heavily last week on rumours of foreign exchange losses, rose Y30 to Y1,910. Traders said speculators had been using the rumour, which had started initially in the foreign currency market, to short the stock.

Investors were disappointed by the lack of activity in electronics stocks following Friday's rally in the high-technology sector on Wall Street and a *decline in the yen against the* dollar. Kyocera, the semiconductor ceramic package maker, fell Y30 to Y8,100 but Sony rose Y90 to Y5,150.



Source: FT Extel

Foods, non-ferrous metals and chemicals were bought as *laggards. Nippon Flour Mills* rose Y7 to Y487, Meiji Seika, a snack and candy manufacturer, by Y12 to Y587, and Kirin Brewery by Y10 to Y1,040. Chemicals saw Nippon Soda gain Y22 at Y531 and Tosoh Y6 at Y463.

In Osaka, the OSE average moved up 55.02 to 19,455.13 in volume of 17.6m shares.

Roundup

Expectations of lower interest rates helped HONG KONG to punch through the 10,000-point level for the first time in 13 months but late profit-taking ate away some of the early gains. The Hang Seng index ended at 10,009.28, up 125.50, but off the day's high of 10,069.17, in heavy turnover of HK$6.3bn, up from HK$3.8bn.

Mr Michael Franklin at James Capel in London said that the level of program trading indicated continued foreign demand, while domestic investors were active buyers on a growing expectation of an interest rate reduction at the next meeting of the FOMC in the US.

Analysts expected the index to test resistance of 10,300 in the next two days, as profit-taking was well absorbed in the market, and believed that *the way could be open to the* 11,000 mark by the year-end.

Blue chips were mostly higher, but leading property developers, up more than 20 per cent in the last two months, were prone to profit-*taking. Sun Hung Kai Proper*ties ended ahead 25 cents at HK$63, though off the day's high of HK$64. Cheung Kong retreated to HK$44.20, up 50 cents, after hitting a 19-month peak of HK$44.60.

SYDNEY was supported by offshore buying as domestic interest remained patchy; the All Ordinaries index put on 11.0 at 2,110.0. Volume was 199.9m shares worth A$505.8m.

Among media issues, Seven Network firmed 3 cents to A$3.30 after the company said at its annual meeting that it was committed to a significant *increase in revenue over the* next 12 months. News Corp shed 3 cents to A$7.05 after Mr Rupert Murdoch confirmed that talks were under way between Foxtel, in which he has a 50 per cent stake, and *Australis. The latter's shares* remained voluntarily suspended from trade.

Coles Myer made 5 cents to A$4.50 as Prime Minister Paul Keating added his support to a proposal that the retailer should be broken up into smaller divisions. There was also a growing expectation among investors that the company's chairman would be asked to resign at the annual meeting late next month.

KARACHI, hit by fears of violence in the city and political uncertainty, lost 3.25 per cent, its ninth consecutive fall. *The KSE index shed 50.79 to* 1,513.05.

TAIPEI was lifted by reports, quoted in local newspapers, that the Chinese president would be prepared to accept an invitation to visit the island. *The weighted index rose 23.37* to 5,038.98 in T$21.9bn turnover. Shipping shares advanced on hopes that direct shipping links with China could recommence for the first time since 1949, if tensions with the mainland eased.

SINGAPORE was weak in the absence of fresh incentives and the Straits Times Industrial index fell 17.24 to 2,111.80. Shares of National Kap were suspended on a request by the company. Before the suspension, they were quoted at S$1.81, up 22 cents, after touching a year's high of S$1.97.

KUALA LUMPUR was lower as foreign funds continued to underweight the Malaysian market on concern about the economy. The composite index dipped 5.76 to 957.37. Chase Perdana stole the limelight on *news of a two-for-one scrip* issue, rising M$1.15 to M$9.15.

S African industrials at peak

Industrials posted their third consecutive record closing high in Johannesburg but gold shares remained weak on a further dip in the bullion price.

The overall index finished 6.0 ahead at 5,804.7, industrials advanced 23.8 to 7,371.4 and golds retreated 23.8 to 1,418.7.

Many analysts forecast that the market could be heading for a period under pressure as the November 1 elections approached.

De Beers lost 25 cents at R102.25. Amic fell R2 to R191.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	-3.53	-6.67	-11.51	-12.45	-5.51	-5.04
Belgium	-0.75	-2.75	+6.36	+4.97	+13.11	+13.69
Denmark	+1.04	-3.49	+3.79	+2.29	+11.74	+12.30
Finland	+0.76	-10.34	+23.50	+23.85	+35.57	+36.25
France	+0.27	-2.99	-4.67	-1.35	+5.32	+5.85
Germany	+0.94	-4.94	+3.36	+2.55	+10.68	+11.23
Ireland	+1.82	-0.08	+16.58	+16.68	+20.88	+21.49
Italy	-2.50	-8.76	-5.00	-3.72	-3.13	-2.64
Netherlands	-0.55	-2.45	+10.62	+9.06	+17.71	+18.30
Norway	+0.56	-2.55	+7.44	+1.90	+9.36	+9.90
Spain	+1.68	-5.07	+0.39	+5.71	+12.33	+12.89
Sweden	+0.23	-2.36	+27.15	+26.46	+34.44	+35.12
Switzerland	+1.87	+2.33	+19.30	+17.58	+32.33	+32.99
UK	+0.88	-0.07	+12.83	+15.64	+15.64	+16.21
EUROPE	+0.58	-2.08	+8.25	+9.57	+14.81	+15.38
Australia	+0.03	-3.35	+6.29	+9.52	+6.66	+7.21
Hong Kong	+0.05	+0.29	-0.87	+17.78	+17.28	+17.87
Japan	-3.16	-3.89	-10.51	-7.89	-9.17	-8.71
Malaysia	-2.42	-5.11	-17.50	-2.42	-2.56	-2.07
New Zealand	+1.15	-1.23	-0.06	+8.47	+11.49	+12.05
Singapore	-0.97	+0.36	-7.68	-1.98	-0.32	+0.18
Canada	-0.15	-2.20	+3.51	+6.13	+10.77	+11.33
USA	+0.39	+0.46	+25.45	+27.55	+26.91	+27.55
Mexico	-4.34	-8.97	-13.33	-3.62	-29.72	-29.36
South Africa	+1.27	+2.00	+15.27	+3.50	+6.97	+7.50
WORLD INDEX	-0.53	-1.54	+6.89	+9.72	+10.82	11.38

† Based on October 13 1995.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 13 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY OCTOBER 12 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.01	1.0	173.50	117.10	136.71	161.18	0.9	4.03	182.15	171.76	115.42	134.89	159.68	191.01	157.95	168.14
Austria (27)	173.53	0.0	163.63	110.43	128.93	128.86	0.5	1.30	173.56	163.65	109.96	128.33	128.27	199.28	167.48	181.70
Belgium (35)	191.48	0.1	180.55	121.85	142.26	138.79	0.6	3.76	191.34	180.42	121.25	141.49	138.00	201.12	164.78	168.70
Brazil (28)	148.54	0.3	140.06	94.53	110.36	261.98	0.3	1.61	148.12	139.66	93.86	109.52	261.16	-	-	-
Canada (100)	144.05	0.7	135.83	91.67	107.02	139.49	0.6	2.67	143.00	134.83	90.61	105.74	138.63	150.83	121.81	138.12
Denmark (33)	282.78	-0.3	266.64	179.96	210.10	213.19	0.2	1.52	283.76	267.58	179.82	209.84	212.86	295.99	236.61	249.80
Finland (25)	253.37	1.7	238.91	161.24	188.25	229.08	2.1	1.40	249.17	234.95	157.89	184.24	224.37	278.11	171.13	185.29
France (100)	173.12	0.1	163.24	110.17	128.62	135.06	0.6	3.25	172.89	163.02	109.55	127.84	134.31	191.17	157.79	171.02
Germany (59)	159.41	0.8	150.31	101.44	118.43	118.43	1.3	2.02	158.14	149.11	100.21	116.93	116.93	167.74	135.39	142.89
Hong Kong (55)	384.41	1.9	362.47	244.63	285.61	381.65	1.9	3.81	377.13	355.61	238.97	278.87	374.33	391.00	277.40	387.97
Ireland (16)	250.55	1.1	236.25	159.45	186.15	219.55	1.2	3.43	247.74	233.60	156.98	183.19	217.02	250.55	195.34	209.13
Italy (59)	73.30	-0.7	69.12	46.65	54.46	87.83	-0.5	1.73	73.78	69.57	46.75	54.56	88.23	82.71	65.45	78.99
Japan (483)	143.27	-0.4	135.09	91.17	106.45	91.17	0.0	0.83	143.81	135.70	91.19	106.41	91.19	164.82	136.95	161.31
Malaysia (106)	469.44	-0.2	442.65	298.74	348.79	460.00	-0.2	1.78	470.38	443.54	298.07	347.82	460.82	563.02	398.16	563.02
Mexico (18)	1000.33	-0.9	943.23	636.59	743.22	7349.74	-0.9	1.89	1009.13	951.53	639.44	746.18	7419.88	2302.03	647.81	2270.20
Netherland (19)	256.56	-0.1	241.92	163.27	190.62	187.33	0.4	3.48	256.68	242.03	162.65	189.80	186.54	263.99	207.60	214.81
New Zealand (14)	78.94	-0.5	74.44	50.24	58.65	63.39	-0.4	4.50	79.35	74.82	50.28	58.67	63.68	86.49	69.56	72.34
Norway (33)	234.28	0.6	220.91	149.09	174.06	199.43	1.0	2.12	232.91	219.61	147.58	172.22	197.50	243.79	192.92	203.57
Singapore (44)	373.71	-0.3	352.38	237.82	277.66	245.67	-0.1	1.67	374.72	353.33	237.45	277.09	245.81	414.26	313.94	389.57
South Africa (45)	361.97	0.1	341.31	230.35	268.94	289.39	0.2	4.03	361.49	340.86	229.06	267.30	288.81	383.22	281.06	320.66
Spain (38)	148.97	1.1	140.47	94.80	110.68	138.10	1.8	4.06	147.39	138.97	93.39	108.98	135.66	160.51	124.10	142.66
Sweden (48)	312.28	0.3	294.46	198.73	232.02	321.65	0.4	1.66	311.46	293.69	197.37	230.31	320.24	320.43	225.80	231.09
Switzerland (41)	219.69	0.4	207.15	139.80	163.22	157.56	0.6	1.89	218.88	206.39	138.69	161.85	156.61	219.88	158.38	165.74
Thailand (46)	167.12	-0.9	157.58	106.35	124.17	162.82	-0.9	2.50	168.66	159.03	106.87	124.71	164.30	-	-	-
United Kingdom (207)	226.42	1.1	213.50	144.09	168.23	213.50	1.1	4.00	223.93	211.15	141.90	165.59	211.15	227.07	187.07	201.82
USA (503)	239.48	0.3	225.81	152.40	177.93	239.48	0.3	2.45	238.82	225.19	151.33	176.60	238.82	239.87	182.33	190.89
Americas (849)	218.68	0.3	206.20	139.16	162.47	183.47	0.3	2.45	218.08	205.62	138.18	161.24	182.96	-	-	-
Europe (740)	194.95	0.6	183.82	124.06	144.84	165.03	0.9	3.06	193.76	182.70	122.78	143.27	163.61	199.02	163.04	172.94
Nordic (139)	288.12	0.4	271.67	183.35	214.06	250.87	0.7	1.75	286.89	270.50	181.78	212.13	248.86	295.02	215.79	223.25
Pacific Basin (632)	154.21	-0.2	145.41	98.13	114.57	101.78	0.1	1.29	154.53	145.71	97.92	114.27	101.84	173.52	145.93	170.76
Euro-Pacific (1572)	171.09	0.2	161.32	108.88	127.11	125.64	0.5	2.13	170.78	161.03	108.22	126.28	125.04	178.33	154.73	171.58
North America (603)	233.58	0.3	220.25	148.65	173.54	232.79	0.3	2.46	232.80	219.61	147.58	172.21	232.12	233.93	178.86	187.61
Europe Ex. UK (533)	173.94	0.3	164.01	110.69	129.23	138.60	0.7	2.51	173.36	163.47	109.85	128.19	137.60	179.46	146.45	153.83
Pacific Ex. Japan (349)	257.32	0.8	242.64	163.76	191.19	225.51	0.8	3.26	255.16	240.60	161.69	188.68	223.61	268.72	211.19	262.57
World Ex. US (1783)	172.16	0.2	162.33	109.56	127.91	129.22	0.5	2.17	171.84	162.03	108.89	127.06	128.62	178.73	155.42	173.51
World Ex. UK (2059)	189.55	0.1	178.73	120.62	140.83	155.97	0.3	2.09	189.31	178.50	119.96	139.98	155.48	191.32	163.46	173.96
World Ex. Japan (1783)	220.40	0.4	207.82	140.26	163.75	205.71	0.5	2.75	219.43	206.91	139.05	162.26	204.62	220.98	178.95	189.26
The World Index (2266)	182.77	0.2	181.76	122.67	143.22	160.99	0.4	2.26	182.34	181.39	121.88	142.22	160.35	194.25	165.92	178.24

Latest prices were unavailable for this edition.

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Rühe attacks minister's anti-EU speech

By Peter Norman in Karlsruhe, and George Parker and John Kampfner at Westminster

Mr Michael Portillo, UK defence secretary, yesterday came under sharp criticism from Mr Volcker Rühe, his German opposite number, for the speech at last week's Conservative party conference in which he denounced the idea of British troops fighting for Brussels.

In an interview with BBC radio, Mr Rühe said it was "irresponsible" for Mr Portillo to talk in such a way. There was a need for the British Conservatives and the German Christian Democratic Party to resolve their differences over European defence policy. While the CDU saw Brussels "as a great place of hope", the Conservatives used it as a place for ridicule.

Mr Rühe repeated his criticism of the UK defence secretary in a rather more guarded manner in remarks to yesterday's CDU party congress. He said he wondered what Sir Winston Churchill would have made of Mr Portillo's criticism of Brussels and of the applause that it received at the Conservative party conference last week.

Speaking in the annual House of Commons defence debate yesterday, Mr Portillo toned down his anti-EU rhetoric, but repeated his insistence that Britain would fight to keep Brussels away from involvement in defence policy. He said Britain favoured defence co-operation through the Western European Union, but warned that there should be no operational role for either the European Commission or the European Parliament.

Mr Portillo's tone was more measured than his strident speech to the Conservative conference last week, in which he ridiculed Brussels and invoked the spirit of the Special Air Service to send a "don't mess with Britain" warning to potential enemies.

But Labour MPs were determined to revive memories of the defence secretary's nationalistic conference invective. Mr David Clark, Labour's shadow defence secretary, said: "He is motivated not by the interests of the armed forces and the interests of the nation, but by the interests of his own ambition. "He has twisted and abused the values of patriotism held dear by members on both sides of the House."

The Positive Europeans, a minority caucus with the Conservative party, will express their alarm at Mr Portillo's conference speech during a meeting today with Mr Malcolm Rifkind, foreign secretary.

Eurosceptics, however, rallied to Mr Portillo's defence. Mr Graham Mather, Conservative member of the European Parliament for Hampshire North and Oxford, said he had "evidence" from unreported remarks by Mr Helmut Kohl, the German chancellor, and a discussion paper from his CDU/CSU parliamentary party testifying to a four-year timetable for a common EU defence policy by 1999, introduced by qualified majority voting.

Mr Portillo, opening the two-day debate on the defence estimates, confirmed that Britain would create a trouble-shooting Joint Rapid Deployment Force by August 1996, bringing together paratroops, Royal Marines and other units.

He also admitted that problems of "overstretch" meant that the average interval between tours of duty would be 20 weeks this year – short of the 24-week official target.

He said the WEU should develop its operational ability to respond to humanitarian and peacekeeping roles, but that the defence organisation should work with Nato, not in competition.

Britain would not accept any attempt by the EU to absorb the WEU as its defence wing, because some EU members were neutral and because it could deter other central and eastern European nations joining the EU.

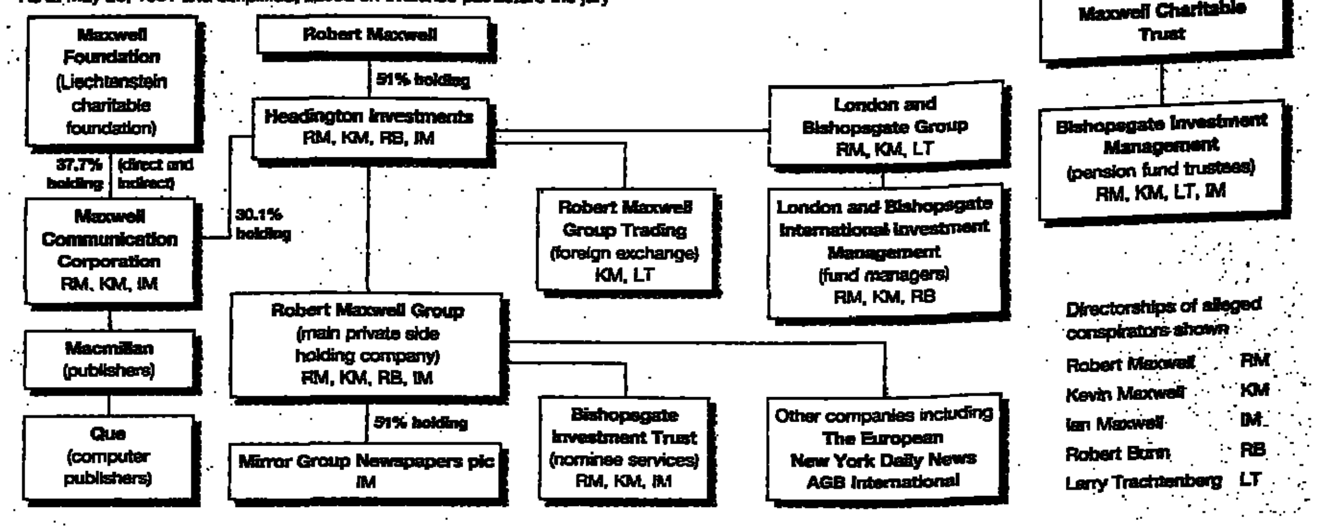
The Maxwell trial Publisher's son denies using shares dishonestly to gain overdraft

Father 'saw pension funds as group assets'

By John Mason, Law Courts Correspondent

Structure of the Maxwell business empire

As at May 20, 1991 and simplified, based on evidence put before the jury



Mr Kevin Maxwell always thought the business empire built up by his father was "saveable" and that he could resolve its financial problems, he told a jury at the Old Bailey (the central criminal court) in London yesterday. Mr Kevin Maxwell is the youngest son of the late publisher Robert Maxwell.

In his first day giving evidence in his defence, Mr Maxwell also maintained that he believed shares used to obtain bank loans for private Maxwell companies belonged to those companies and not to the pension funds.

However, his lawyer, Mr Alun Jones, earlier admitted to the packed court that Mr Kevin Maxwell had misled bankers on occasion – something that he might be "deservedly" embarrassed by.

In a short statement to the jury before his client went into the witness box, Mr Jones said the evidence of bankers had to be seen in context. Mr Kevin Maxwell thought the group could be saved in the interests of employees and pensioners alike, he said.

Mr Kevin Maxwell faces two charges of conspiring to defraud the Maxwell pension funds by pledging fund assets worth £122m to obtain credit from National Westminster Bank for the Robert Maxwell Group, the main holding company for the private companies.

The first charge alleges that he conspired with Robert Maxwell to dishonestly use shares worth £100m in Scitex, an Israeli computer-imaging company, to obtain an overdraft from NatWest.

The second alleges that, after his father's death, he conspired with his brother Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to Robert Maxwell, to defraud the funds by using shares worth £22m in Teva, another Israeli company, to raise more credit from NatWest for Robert Maxwell Group. All deny the charges against them.

At the start of his evidence, Mr Kevin Maxwell, questioned by Mr Jones, outlined his basic defence to the fraud charges. He said of both the Scitex and Teva shares that his father had told him they had been transferred from the pension funds to RMG.

Questioned over his assessment of the financial health of the Maxwell empire, Mr Maxwell replied: "The whole group suffered from illiquidity throughout the period. However, I believed at all times that the assets of the group exceeded its liabilities and I believed all its obligations could be met in due course."

His father's death later caused the share price of Maxwell Communication Corporation (one of two publicly quoted Maxwell companies) to drop, he still thought the empire was fundamentally sound financially and could survive if its banks continued to provide support.

Mr Maxwell was questioned over his father's character and business methods. Robert Maxwell was a "charismatic leader" who took substantial risks and could inspire great loyalty, his son said. He was motivated by power rather than money.

However, his father was also capable of of "verbal brutality", bullying and the public humiliation of staff, he added. As a child he had been in awe and frightened by his father, Mr Kevin Maxwell said.

Robert Maxwell found the restrictions of the law and City regulators "tremendous irritants", Mr Kevin Maxwell said. But his father also regarded the law as a weapon to be used to achieve his business ends and would stretch it "as far as it would go", he said.

Mr Kevin Maxwell cited as examples the way Robert Maxwell would buy and sell football players between clubs he had a stake in. "It was within the rules but definitely not within the spirit," he said.

Such deals were similar to the transactions the court had heard about, Mr Kevin Maxwell said. Mr Jones then asked about Robert Maxwell's attitude to pension funds under his control.

His father regarded pension funds as group assets because of the companies' obligations to make good deficits and because the companies had contributed to the schemes, Mr Kevin Maxwell replied.

"He certainly believed – and said so in my presence and the prescience of professional advisers – that any pension fund surpluses belonged to the company," he said.

Questioned over the way Maxwell Communication Corporation was run, Mr Kevin Maxwell said it was accepted within the company that his father could make any decision he wanted to. The board of directors was a "mechanism for the legal ratification of business", he said.

Early export of calves leads to suffering, say vets

By Alison Maitland in London

Young calves suffer unacceptably high death rates as a result of transportation and should not be put on the market until they are at least four weeks old, according to the Veterinary Record, the weekly journal of the British Veterinary Association.

Most UK calves exported to mainland Europe for veal production are just over a week old. Concern about the long distances they have to travel and the restricting system of veal crates used outside Britain has led to a sustained campaign by animal welfare activists to ban the trade in live calves.

Scientific studies indicate that young calves do not cope well with transport and markets, suffering relatively high rates of illness and death in the following weeks, according to a paper by Mr Toby Knowles of Bristol University's School of Veterinary Science.

He cites one study in which 23 per cent of calves under two weeks old died after being transported long distances. Costings for UK veal production allow for a 5 per cent death rate after transport. "When compared with the transportation of other types of farm animal, mortality rates of these magnitudes would appear to be unacceptable," he says. Few healthy calves die during transport itself but some are weakened and succumb to disease in the following month. The longer the journey, the more vulnerable they appear to become. Very young calves may show less stress during transport than older animals, but this is because they are too immature to respond, says Mr Knowles.

He calls for urgent research into the latest death and disease rates in young calves transported within the European Union.

Prison service chief is sacked

PA News Reporter in London

Mr Derek Lewis, head of the Prison Service, was dismissed yesterday shortly before the government published a strongly worded report into a breakout at Parkhurst jail.

A report on prison security in England and Wales by Sir John Learmont found that Parkhurst, supposedly one of Britain's most secure prisons, was "totally unsuitable" for housing some of the most difficult prisoners in the system. The breakout revealed "a chapter of errors at every level and a naivety that defies belief," said the report.

Sir John began his inquiry into security in the prison system last December after members of the Irish Republican Army broke out of Whitemoor prison in Cambridgeshire. The focus then shifted to January's escape by three dangerous prisoners from Parkhurst, which is on the Isle of Wight in southern England.

His report identified "lax and unprofessional" procedures which made it relatively easy for prisoners to escape from supposedly secure Parkhurst. Working practices in the prison were pervaded by "disastrous indecision and apathy". The report warned that, even after work to enhance security was completed, "Parkhurst will still be a Victorian prison with significant security weaknesses". The report concluded that the prison should be downgraded "as soon as possible" to take only very low-security prisoners.

The prisoners, who used a makeshift ladder and a duplicate key in the escape, were on the run for five days before they were recaptured after a massive police operation. Government sources said that the chief inspector of prisons, Judge Stephen Tumim, had alerted both Mr Lewis and Mr Howard of potential problems at Parkhurst during an inspection there before the breakout.

Editorial Comment, Page 17

Inward investment 'My message is let's stop shooting ourselves in the foot,' says minister

Agency in Wales is told to 'sharpen up'

By Roland Adburgham in Cardiff

Mr William Hague, chief minister for Wales in the Conservative government, yesterday called on agencies in Wales to "sharpen up" their efforts to attract inward investment.

Mr Hague said he was working with the Welsh Development Agency to ensure that there was new momentum. "I have asked the WDA to redouble its efforts, and it is doing so," he said. He was speaking on the eve of an expected confirmation today of a £300m ($470m) expansion by Ford at Bridgend in south Wales.

All the agencies involved in inward investment, he said, needed to be sharp and professional. "My message is let's sharpen up, keep self-criticism in proportion and stop shooting ourselves in the foot," he said.

His speech to the Institute of Directors in Cardiff follows concern that Wales has seen its share of foreign investment slip since the government reduced the availability of regional selective assistance in 1993. Mr Hague gave no indication of the grant package on offer to Ford. But it is assumed it has played a substantial part in encouraging the US company to invest at the Bridgend engine plant, rather that in mainland Europe.

Many in Wales believe the country's inward investment record was hindered by what were highly publicised criticisms of the WDA's past management. In a show of support for the WDA's new management, Mr Hague referred to his "colleagues" in the agency and he was accompanied yesterday by Mr David Rowe-Beddoe, its chairman.

Both men have recently returned from a joint investment mission to the far east and Mr Hague said there was still "tremendous potential" there. While praising Wales's record at winning investment, he described the current competition as "very fierce - major multinationals can take their pick". He wanted to promote an image of Wales as "not only a good place to do business but with a first-class quality of life".

Mr Hague said support for business was a top priority for the Welsh Office. Unemployment was far too high in many communities and gross domestic product was too low compared with the UK average. "We need more expanding companies and more new companies," he said.

Sales drop last month dents recovery in trucks market

By John Griffiths in London

Registrations of new trucks in Britain last month totalled 3,925, which was 11.7 per cent lower than in September last year. But they remained 23.3 per cent *higher* in the first nine months of the year than in the comparable period of 1994.

Even the heavy truck sector, where recovery has been strongest, was hit last month. Registrations fell 12.9 per cent to 2,462 compared with 2,826 in September last year. But registrations in the first nine months were 30.4 per cent higher than in the first three quarters of 1994. Truckmakers suggest that measuring truck market strength simply in numbers sold is becoming increasingly misleading. Operators are tending to buy fewer but larger trucks as electronic logistics systems improve goods-carrying efficiency.

Trucks over 15 tonnes are estimated in the industry to account for 63 per cent of truck sales compared with 48 per cent a decade or so ago. The number of trucks on the road is about the same as 20 years ago, but they are now carrying about twice the volume of goods, say freight industry estimates.

Vehicle makers say a rush by truck operators to replace fleets kept running through the recession may have passed its peak. Despite this, they say they see little reason to fear that the commercial vehicle market may be about to slip into a final-quarter downturn.

"We are still expecting the truck market – for vehicles over 3.5 tonnes – to reach 50,000 to 52,000 units this year compared with just under 45,000 in 1994," said Mr Nigel Emms, spokesman for truck market leader Iveco-Ford. "There was a rush of orders by big operators towards the end of last year, and so we had always expected that this year's first half would be stronger than the second."

Sales of heavy trucks (over 15 tonnes)

	Volume (Units)	Volume Change (%)	Share (%) Jan-Sep 95	Share (%) Jan-Sep 94
Total	24,642	+30.4	100.0	100.0
Volvo	4,638	+17.1	18.8	21.0
Scania (Investor)	4,109	+56.2	16.7	13.9
Leyland DAF (DAF Trucks)	4,084	+38.1	16.6	15.6
Iveco group* (Fiat)	3,134	+23.6	12.7	13.4
Mercedes-Benz (Daimler-Benz)	2,922	+32.6	11.9	11.7
ERF	2,309	+34.2	9.4	9.1
MAN	1,237	+12.9	5.0	5.8
Renault	967	+31.2	3.9	6.9

(names in brackets indicate ownership)
*Includes Iveco Ford and Seddon Atkinson.
Source: Society of Motor Manufacturers and Traders and industry estimates.

Iveco-Ford also believes that the 1.8 per cent year-on-year drop last month in total registrations of new commercial vehicles, including vans and buses and coaches, may have been caused by potential buyers waiting for possible tax changes in the national Budget next month.

Figures from the Society of Motor Manufacturers and Traders show that total registrations of all new commercial vehicles last month reached 19,238, down from 19,582 in the comparable period a year before.

This was the second year-on-year fall in three months after 18 uninterrupted months of increases.

Residents paid to help secure $48m falsely claimed to be owed by Nigerian government

Man jailed for four years over 'advance fee' frauds

By Sue Stuart in Douglas, Isle of Man

A man involved in "advance fee" frauds was yesterday sentenced to four years in prison after being convicted on eight charges of fraud. He pleaded not guilty to them all.

Mr Alistair Montgomerie, prosecuting advocate for the Fraud Squad in the Isle of Man, said in the island's High Court that Mr Magallan Pillai, who has a South African passport, obtained about £60,000 ($94,000) from two Isle of Man residents. The island between England and Ireland is a dependency of the British Crown with its own legislature and tax system.

The £60,000, Mr Montgomerie said yesterday, was intended to cover the costs of collecting $48m which Mr Pillai claimed the Nigerian government owed him for armaments. He had promised the two victims, Mr John Leather and Mr Kevin Scott, a total of $1m as commission.

But the Nigerian government had owed Mr Pillai nothing, Mr Montgomerie continued. He had used the money obtained from Mr Leather and Mr Scott to live at the Holiday Inn Hotel at Gatwick airport near London. His expenses included £6,000 on clothes and the services of a female escort at £400 a night.

He had claimed on a visit to the Isle of Man have a cheque for $48m and produced a fake certificate to confirm the fact, Mr Montgomerie said. Mr Pillai had asked Mr Leather and Mr Scott for a further $25,000 to fund a trip to Nigeria to pick up the money. Within a few days the island's police had arrested him.

The Nigerian central bank became so concerned about "Nigerian letters" that two months ago it placed advertisements in British newspapers warning the public.

The letters offer recipients a large commission usually at least $1m in return for their help in obtaining large sums which the senders claim the Nigerian government owes them. Recipients are asked to pay an amount, usually tens of thousands of pounds, to facilitate collection of the much bigger sum from Nigeria.

UK NEWS DIGEST

Top US aide starts talks on Ireland

The extent of the Clinton administration's involvement in the Northern Ireland peace process was laid bare yesterday with the start of intensive talks in London between Mr Anthony Lake, US national security adviser, and British officials. Amid indications that the deadlock over Irish Republican Army weapons may soon be broken, Mr Lake met Mr David Trimble, leader of the pro-British Ulster Unionist party, and Mr John Hume, leader of the nationalist-leaning Social Democratic and Labour party. Today Mr Lake is due to meet Sir Patrick Mayhew, chief Northern Ireland minister in the British government, and his deputy Mr Michael Ancram, along with Mr Malcolm Rifkind, foreign secretary.

John Kampfner, Westminster Correspondent

Anti-fraud group will monitor use of cash

THE NATIONAL LOTTERY

The Arts Council announced the creation of an anti-fraud group to monitor the use of National Lottery cash as a political row broke over the distribution of the bulk of the latest £50m ($78m) arts hand-out to two London theatre groups. Mr Peter Gummer, chairman of the council's lottery panel, said the team would monitor the use of arts grants and reassure the public that money raised from the contest was used properly. "It is to make sure that there is no danger of any fraud," Mr Gummer said. "We have no evidence at all of that, but we just want to make sure that in 18 months' time we will be able to say we have done everything to perfection," he said.

The political row over the distribution of lottery money intensified yesterday when the Sadlers Wells Theatre in London received up to £30m and Shakespeare's Globe Trust £12.4m out of a total arts package of £50.9m. Lord Gowrie, chairman of the Arts Council, admitted that many people outside the capital would be angry at the way that two London groups were the main beneficiaries. "I would be aggrieved or cross in the north about this," he said. *George Parker, Westminster*

Biggest stores decline to cut medicine prices

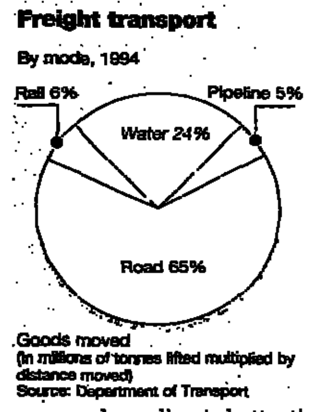
Britain's largest supermarket chains J. Sainsbury and Tesco – and Boots, the biggest pharmacist – said they would not follow Asda's move to defy price maintenance on over-the-counter medicines by cutting prices. But analysts believe that if Asda extends its price-cutting from vitamins, minerals and supplements to other products, rival groups would be forced to follow suit. That could spell the end of price maintenance in the "medicaments" market. There were rumours last night, however, that at least one supplier was planning to apply for an injunction to force Asda to sell its goods at the fixed price. Fears that pharmacists' margins could be squeezed as a result of a price war on medicines led to sharp falls in share prices. Boots closed down 15½p at 568p; Lloyds Chemists fell 17p to 228p; Kingfisher, owner of Superdrug, fell 8p to 502p; and Unichem declined 11p to 264p.

Neil Buckley, Consumer Industries Staff

Nearly 25% of freight carried by water

Freight transport

By mode, 1994



Goods moved
(in millions of tonnes lifted multiplied by distance moved)
Source: Department of Transport

Water-borne shipments accounted for nearly a quarter of all freight movements in the UK last year, says the Department of Transport. The decline in commercial traffic on the upper reaches of many rivers and the development of canals for leisure use have diverted attention from the role of water-borne freight, but big volumes are still moved along estuaries, the seaward end of rivers such as the Thames, Clyde and Humber and around the coast. The total volume of goods carried rose by 4 per cent in 1994 to 140m tonnes while shipping movements – tonnes carried multiplied by the distance covered – increased by 2 per cent to 52bn tonne-kilometres. Crude petroleum and petrol products accounted for 43bn tonne-kilometres of goods moved or 82 per cent of the total.

Charles Batchelor, Transport Correspondent

City regulator appoints chief executive

Mr Andrew Winckler is to become chief executive of the Securities and Investments Board, the chief City regulator, from the end of this year. He will succeed Mr John Young, who is retiring early as chief executive, but will remain on the SIB board as a non-executive director. Mr Winckler, head of supervision at the SIB, joined it in 1994. His career began in the Treasury, and he has been a deputy chairman of the Securities and Futures Authority.

Alison Smith, Financial Services Staff

Drugs haul at Heathrow: 500kg of cannabis resin with a street value of more than £1m ($1.57m) has been seized at London's Heathrow Airport. It was the largest seizure of the drug at London airports this year. A dog with Customs officers found the drug in a consignment of machine parts which had arrived from the Netherlands in transit to Quebec, Canada.

BUSINESSES FOR SALE

Bullers plc
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The Joint Administrative Receivers invite offers for the whole or parts of Bullers plc. The group comprises:

Clashfleet Ltd. (t/a Wiseman)

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Glenlomond Fire Surrounds Ltd.

- A long established manufacturer of fire surrounds operating from freehold premises near Kilmarnock, Scotland.
- Turnover £1.2m this year.

Giftware Division

- Comprises 4 companies operating in Birmingham, Poole & London.
- Involved in the manufacture of hand painted Statues and in Castings for the Jewellery & Sculpture markets.
- Freehold premises in Birmingham & Leaseholds in Poole & London.
- Turnover £1.4 million for this year.

Please contact The Joint Administrative Receivers Scott Barnes, Maurice Withall, or Simon Morris, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.
Tel: 0171 383 5100 Fax: 0171 383 4077

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S Mayers PLC
(In Receivership)

The joint administrative receivers offer for sale the business and assets of the above company, which is based in Leek, Staffordshire.

Principal features:

- Manufacturer of high quality weft knit fabrics
- Supplier to major UK garment manufacturers
- Turnover in year to 31 March 1995 £3.9 million
- Operates from 23,000 sq ft freehold site
- Order book of circa. £500,000
- Skilled and experienced workforce

Enquiries to:

I.C. Powell FCA, Price Waterhouse, York House, York Street, Manchester M2 4WS. Tel: 0161 245 2000. Fax: 0161 236 1268.

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For further information please contact KPMG Corporate Finance on 0171 311 4536 or fax on 0171 311 4538 or at 8 Salisbury Square. London EC4Y 8BB, quoting reference number KE/PJS/731-8122.

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Expresssions of interest should be addressed to Mr Rodney Fox at Touche Ross & Co., 8-9 East Harding Street, London EC4A 3AS. Tel: 0171 303 4182. Fax: 0171 480 6881.

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- 120 employees
- Book value of stock, work in progress, plant and machinery c. £800,000

For further information please contact Andrew Menzies or Neil Tombs Centre City Tower, 7 Hill Street Birmingham B5 4UU Tel: 0121 697 6000. Fax: 0121 697 6111/2

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KPMG

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(In Administrative Receivership)
Portsmouth and Fareham, Hampshire

The Joint Administrative Receivers offer for sale the business and assets of John Palmer Limited, providers of Brushware products and wholesale floor coverings.

Principal features include:

Brushware Division

- Manufacturers of quality 'Victory' product range, in plastic and wood;
- Skilled workforce;
- Established customer base including national retailers and wholesalers;
- Turnover for year ended 31 December 1994 approximately £3 million;
- Specialist plant and equipment;
- Long leasehold factory site in Portsmouth, approximately 47,000 sq ft.

Floor Coverings Division

- Wholesale suppliers of floor coverings;
- Experienced workforce,
- Extensive regional client base,
- Turnover for year ended 31 December 1994 approximately £3.5 million;
- Leasehold warehouse in Fareham approximately 20,000 sq ft.

For further information please contact: The Joint Administrative Receiver, John B. R. Dare, KPMG, Dukes Keep, Marsh Lane, Southampton SO14 3EX. Ref: DJC. Tel: 01703 631465. Fax: 01703 223547.

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For further information please contact the Joint Administrative Receivers, Michael Hore or Keith Hinds at the office of Robson Rhodes, or Simon Bower or Charles Escott at the company's premises on 01964 543455.

ROBSON RHODES Chartered Accountants — RSM international

Robson Rhodes, St George House, 40 Great George Street, Leeds LS1 3DQ
Telephone: 0113 2459631. Fax: 0113 2436129
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BUSINESS FOR SALE

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  - Recovery of lost and stolen vehicles
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- Substantial work in progress/order book.

For further information please contact:
Richard Fleming or Beth Williams, Arthur Andersen, St. Paul's House, Park Square, Leeds LS1 2PJ.
Tel: 0113 241 6250. Fax: 0113 241 6397.

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LAW

Expulsion of terrorists

EUROPEAN COURT

The advocate general of the European Court of Justice last week delivered his preliminary opinion in the case brought by Irishman John Gallagher challenging the procedures used by the UK to expel suspected terrorists.

The advocate general, whose opinion is not binding on the Luxembourg court, said member states should obtain the opinion of a competent, independent authority before taking any decision to expel a person on grounds of public policy, security or health.

Mr Gallagher came to London in April 1990. In September 1991 he was arrested under the *Prevention of Terrorism (Temporary Provisions) Act 1989*, and three days later the Home Secretary made an order under it excluding him from the UK.

The order was made on the grounds that the Home Secretary was satisfied Mr Gallagher "is or has been concerned in the commission, preparation or instigation of acts of terrorism connected with the affairs of Northern Ireland". However, the notification given to Mr Gallagher did not specify the grounds for the decision.

Mr Gallagher consented to his immediate removal to Ireland for family reasons, but he subsequently exercised his right under the act to make representations. An interview was held at the British Embassy in Dublin, following which the Home Secretary refused to alter his decision. Mr Gallagher challenged the order in the courts.

The case was sent to the ECJ for a preliminary ruling by the Court of Appeal. The English court asked the ECJ for a ruling as to the meaning of certain provisions contained in a European Directive concerning restrictions on the movement and residence of foreign nationals which are justified on grounds of public policy, security or health.

Under the directive, if there is no right of appeal to a court of law against an expulsion decision, then such a decision may not be taken, save in cases of urgency, until an opinion has been obtained from a competent authority of the host country.

Two questions were referred to the court. The first sought to determine whether such an opinion must be obtained before the decision to expel is taken, or whether it is sufficient that, even if it is not obtained first, the authority is nevertheless obliged to consider the opinion and thereby reconsider the exclusion order.

The UK argued that such post-decision representations were sufficient, but the advocate general agreed with the arguments of Mr Gallagher and the European Commission that this would amount to a dilution of the minimum procedural guarantees and there was no basis for it in the text of the directive.

The advocate general pointed out that the opinion of an independent competent authority was likely to have a much greater prospect of influencing the decision of the administration where it had not already reached a decision. Having reviewed the case law of the relevant ECJ, he concluded that such an opinion must be obtained before the administrative authority takes a decision.

The second question concerned the extent to which a competent authority giving such an opinion must be independent from the administrative authority making the expulsion order.

Mr Gallagher argued the directive must be interpreted as including a requirement of complete independence, such that the competent authority could never be appointed by the administration ordering expulsion. The UK argued the directive does not contain any rules governing the appointment of a competent authority.

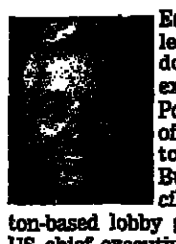
The advocate general agreed with the Commission that appointment by the administration was not precluded per se, but stressed that the competent authority must be absolutely independent of the appointing authority.

C-175/94: R v Secretary of State for the Home Department, ex parte Gallagher, Opinion, October 12 1995.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Woolard's second term



Edgar Woolard, left, who steps down as chief executive of Du Pont at the end of the year, is to head The Business Council, a Washington-based lobby group for top US chief executives, for a second year. The Business Council was formed in 1933 as The Business Advisory Council for the Department of Commerce; its members meet three times a year to discuss public policy and economic issues with government officials and specialists in other fields to find solutions to problems of national concern.

Woolard, who is splitting his job as chairman and chief executive of Du Pont at the end of the year, has been elected for a second one year term. Elected as vice chairmen: John Bryan, chairman and chief executive of Sara Lee Corporation; Lawrence Bossidy, chairman and chief executive of AlliedSignal; Ralph Larsen, chairman and chief executive of Johnson & Johnson; and Richard Rosenberg, chairman and chief executive of BankAmerica Corporation.

HSBC: new adviser

The former UK ambassador to Brazil, Sir Peter Heap, left, has been appointed the first adviser to the board of HSBC Investment Banking, a full-time post. Sir Peter, retired from the Foreign Office in April this year at the stipulated age of 60, after a diplomatic career which started in 1959, at the Commonwealth Relations Office in London. He then went on to serve overseas in posts in Dublin, Ottowa, Colombo, New York, Caracas, Nassau, Lagos, Hong Kong and ultimately Brazil, where he served between 1992-1995.

Frans Lindelow is joining HSBC Investment Banking to head the group's Swedish stockbroking and corporate finance activities in Stockholm. He most recently was working for Salomon Brothers in London, where he had regional responsibility for Scandinavian equity and derivative products. Prior to that he workd for Svenska Handelsbanken.

Sappi hires Haymon

Sappi, the fast-expanding South African forest products group, has hired Monte Haymon, 57, a former chief executive of The Packaging Corporation of America, to head S.D.Warren, its US paper-making subsidiary.

S.D.Warren, which was bought by Sappi late last year, has paper mills in Maine, Michigan, and Alabama and owns about 1m acres of timberland in the northeastern US. It is the largest US producer of wood-free coated paper – used in annual reports and quality magazines. The acquisition has turned Sappi into the world's largest producer of wood-free coated papers – one of the fastest growing sectors of the international paper industry.

Haymon joins S.D. Warren from PlyGem Industries, a manufacturer of specialty residential building products, where he was president and chief operating officer. Haymon joined PlyGem at the start of 1994, after 20 years with Tenneco where he headed its Packaging Corporation of America business. He will be the first American on the board of the South African parent.

ON THE MOVE

■ Mack Rossoff has been named managing director and head of the corporate finance division of Schroder Wertheim. Rossoff, who was previously managing director at Dillon, Read & Co, was also named a member of Schroder Wertheim's executive committee. He succeeds Mark Shapiro, who will continue as a managing director in Schroder Wertheim's administrative offices.

■ Juan Villalonga, 42, managing director of CS First Boston in Spain since 1993 has been appointed as head of Bankers Trust in Spain and Portugal.

■ Simon Edwards, 33, has joined Petersburg Long Distanceas chief financial officer. He was formerly finance director at Cable & Wireless Europe.

■ Christopher Beale has been appointed as global head of project finance at Citibank. He joins from Morgan Stanley, where he was managing director and co-head of its global project finance and leasing group.

■ Lois Silverman, 55, has been appointed to the board of Sun Healthcare. Silverman is chairman and chief executive of CRA Managed Care of Boston.

■ Sheri Anderson has been named by Novell as senior vice president and chief information officer.

■ Claudio Boniciolli, a former managing director at Adriatica, has been appointed chairman of Port Authority, the body set up to run the port of Venice.

■ David Wertheimer has been named president of Paramount Digital Entertainment, a business unit of the Paramount Television Group. He joins from Oracle.

■ Geoff Loudon, chairman and chief executive of Niugini Mining has announced plans to separate the chairman's and chief executive's positions. In his role as non-executive chairman, Loudon will represent Niugini Mining on the board of Lihir Gold, Niugini Mining's largest asset. J C Goudie, currently chief operating officer, will become chief executive with effect from November 1 1995.

■ Raffaele Piccini has been appointed chairman of Marconi Finanziaria and was confirmed in his position as managing director. Marconi SpA has appointed Sandro Gualano chairman and managing director.

■ Greg Soghomonian has been appointed as vice-president and managing director of Honeywell Southeast Asia. Soghomonian has worked for Honeywell for 23 years, holding various management positions in the industrial and space aviation units.

■ Steve Largent has been named president of First Variable Insurance in Boston, a subsidiary of Irish Life of North America. He was previously vice president at Security Life of Denver and president of ING America Equities.

■ Michael Sabia, previously senior vice-president, corporate development, has been appointed as senior vice-president and chief financial officer of Canadian National Railways He succeeds Yvon Masse who is retiring.

■ Marvin Cadwell, 52, Shared Medical Systems president and chief operating officer, replaces James Macaleer, co-founder of SMS, as chief executive. Macaleer continues as chairman.

■ James Stewart, manager of information technology with Deloitte & Touche LLP, has joined Gibson Greetings' card division as director of information technologies.

■ Nick Durlacher will take over as chairman of the UK's Securities and Futures Authority when Christopher Sharples steps down on November 13 1995. Durlacher is a former chairman of LIFFE.

■ Robert J. Marino, 48, president of the Northeast region for Nextel Communications is the new chief operating officer of Cincinnati Bell Information Systems.

■ Earl Washington, 50, succeeds Richard Mau, as senior vice president of corporate communications at Rockwell International Corporation. Mau retires in January 1996.

■ Laurie Bryant, 47, is the New Zealand Meat Producers Board's new European director. He has been the board's North American director for the last six years and replaces Neil Taylor.

■ Tony Chen has taken up his appointment as director of California's International Trade and Investment Office in Hong Kong. He was formerly president of LYW International, a trading firm in Los Angeles.

■ Fred Williams, 51, has been named senior vice president of wholesale power marketing, a newly created position, at Southern Company Services, a subsidiary of The Southern Company.

■ Hugh Planche, former minister of economic development with the Alberta Government, has joined the board of Enerchem International.

■ Patty Chang moves from Dataquest to Philips Key Modules as general manager of its laser optics operation in China.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

BUSINESSES FOR SALE

OFFICE EQUIPMENT

OBITUARIES

HARPER JOHN (JACK) FRANCIS
On Oct 12 at home. Aged 83.
Husband of Rosemary and father of Rodney.
Very dearly loved.
Founder of Stackhouse Insurance Brokers.
Memorial Meeting at Friends Meeting House, Croydon
At 3.00pm on Friday Oct 20.
No flowers but donations if desired to:
Quaker Peace and Service,
Friends House, Euston Road, London NW1

BUSINESSES WANTED

LEGAL NOTICES

No. 006051 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF TIME WARNER ENTERTAINMENT UK LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 29 September 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £81,508,030 to £2 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on 25 October 1995.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 12 day of October 1995

Frere Cholmeley Bischoff
4 John Carpenter Street
London
EC4Y 0NH
Solicitors for the above-named Company

Rule 3.2

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

Name of company: Bramblewood Group Limited. Registered number: 248556. Nature of business: Holding company. Trade classification: 5001. Date of appointment of administrative receivers: 6th October 1995. Name of person appointing administrative receivers: The Royal Bank of Scotland. A M MENZIES AND N TOMBS Joint administrative receivers. Office holder numbers: 6053 and 7830. Address: Robson Rhodes, Centre City Tower, 7 Hill Street, Birmingham B5 4UU

Rule 3.2

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

Name of company: Bramblewood Homes Limited. Registered number: 2603602. Nature of business: General builders. Trade classification: 5001. Date of appointment of administrative receivers: 6th October 1995. Name of person appointing administrative receivers: The Royal Bank of Scotland. A M MENZIES AND N TOMBS Joint administrative receivers. Office holder numbers: 6053 and 7830. Address: Robson Rhodes, Centre City Tower, 7 Hill Street, Birmingham B5 4UU

COMPANY NOTICES

ANNOUNCEMENT FOR PRE-QUALIFICATION FROM EREGLI IRON AND STEEL WORKS CO. TURKEY

I. Announcement is hereby made for the pre-qualification of capacity improvement of tin plate/tin free steel production on turnkey basis in the integrated steel plant of Eregli Demir ve Çelik Fabrikalari T.A.S. located at Kdz. Eregli/TURKEY.

II. PROJECT NAME: CAPACITY IMPROVEMENT OF TIN PLATE PRODUCTION

This project comprises three new facilities which shall be installed in the areas reserved in existing Cold Mill No. 1.

These facilities are an Electrolitic Tinning Line (250.000 tons/year capacity), a Tin Shearing Line (100.000 tons/year capacity), and an Electrolitic Cleaning Line (300.000 tons/year capacity). Prequalified companies shall participate in the Bidding for all these lines with a single package.

III. FINANCING

This project shall be carried out by ERDEMIR's own cash basis and/or the Supplier's credit arrangement.

IV. Only the pre-qualified companies shall be invited to bid Documents regarding the pre-qualification shall be issued to those who apply in writing to ERDEMIR by the date stated below. Delayed applications for pre-qualification shall not be taken into consideration and thus will not be invited to bid.

V. During the bidder's qualification, the following points will be taken into consideration:

a) Bidder must have adequate experience for the establishment of Electrolitic Tinning Line. If the Bidder is a trading company, the bids must be submitted together with appropriate technical sub-supplier(s) whose qualifications meet the requirements.

b) The sub-suppliers so selected by the bidders must be experienced in their respective fields.

c) Bidders must also have satisfactory qualifications in terms of their financial status.

VI. Applications for the above project must be received at the following address not later than 17.00 hours Turkish local time of November 9th 1995 Thursday.

ERDEMIR MÜHENDISLIK VE
YATIRIMLAR GENEL MÜDÜR YARDIMCILIGI
67330 KDZ EREGLI/TURKEY

SUBJECT: PRE-QUALIFICATION APPLICATION FOR CAPACITY IMPROVEMENTS OF TIN PLATE PRODUCTION

VII. All correspondence shall be in the English Language.

TECHNOLOGY

Backseat driver of the future

Vanessa Houlder describes the work of personal trip assistants

Munich. The year: 2005. As Hans Schmidt sets out to drive to a business meeting in Augsburg, he consults his car's on-board computer. When he describes his location and destination, it responds by warning him that there has been an accident on the autobahn and he would do better to travel by train.

Ten years ago, he would have been irritated by the need to change his plans and the prospect of a delay. But his personal trip assistant (PTA) has made using public transport nearly as quick and convenient as taking the car.

His PTA – which he fondly describes as his "electronic chauffeur" – suggests a suitable train connection, reserves a parking place at Pasing, the local station, and guides him through the traffic on the fastest route to the station. On the train, another PTA – a hand-held mobile phone with an integral display – works out how he can best get to his meeting by public transport and makes him a hotel and restaurant reservation.

Even in 1995, the personal trip assistant is not particularly far-fetched; researchers believe that prototypes could be available within the next five years: It is being backed by Siemens, IBM, Philips, BMW, Mercedes, Opel, VW, Bosch and Daimler-Benz, which set up a DM21m (£9.2m) consortium this summer to develop the technology. The project is half-funded by the German government, as part of its Motiv project which aims to develop "intelligent" solutions to transport problems.

Electronic navigation systems are not new. Most car manufacturers have already introduced systems with satellite-based global positioning systems and electronic, CD-Rom-based maps.

The PTA would take this concept a few steps further by integrating navigation systems with up-to-date information about blocked roads, diversions, traffic jams, free parking places, timetable changes, the availability of cars from rental companies, train and flight delays and seat availability on trains and aeroplanes.

This plethora of information would be sifted by an intelligent software "agent" which could plan the best way of reaching a destination and book parking spaces, train seats and hotel rooms. These autonomous intelligent software programs co-operate with each other to achieve common goals and to execute tasks.

The agents would negotiate with each other using a "multi-agent interaction and implementation language", a specially designed language loosely based on human interactions. They would negotiate "using strategies of market economics", according to Siemens. For example, agents could match supply and demand as they helped a user to find the best available car parking space, in a city where each car park monitored the availability of space by computer.

The user agent would make an invitation for bids for parking spaces within the required sector of the city. The agent would receive offers from all the car parks with spaces and book the space which offered the greatest convenience for the least cost.

The software could run on different types of hardware. At home or in the office, it could be installed on the hard disc of a PC; in the car it could run on an integrated system with display, on-board computer, radio, mobile phone and an autonomous vehicle navigation system; on foot, it could use a pocket device similar to a personal digital assistant. Although it would initially use a keyboard and screen, it would ultimately communicate using speech recognition and speech synthesis.

Siemens believes that the technology could have widespread appeal, particularly for business travellers, holiday makers and freight managers. It could make using public transport more attractive and relieve the pressure on the roads without the need for drastic traffic control measures. In its view, an agent-based decentralised traffic management system could perform the difficult feat of "dictating to traffic without being dictatorial".

Switch to hot wire

A breakthrough in high-temperature superconductivity could cut power costs, writes **Geoff Nairn**

To the uninitiated, power cables look much the same, but a sample on the desk of Massimo Geroli, managing director of Italian cable-maker Ceat Cavi, is different: it is made from high-temperature superconductors.

After a decade of frustration for researchers and investors, the first high-temperature superconducting (HTS) cables, motors and other products for the power industry are close to commercial realisation.

Ceat Cavi, part of the UK-based BICC Group, this summer claimed a world record for the current-carrying capacity of its HTS cable, which was manufactured like a conventional high-tension cable. "Unlike other superconductors our prototype was not made by technicians in white coats but in a factory," says Geroli.

In the demonstration, a metre length of the cable, made by winding superconducting "tapes" around a coolant-filled core, passed 11,000 Amperes of direct current (DC) – more than five times the capacity of a copper cable of similar diameter.

The cable had to be cooled with liquid helium to -242°C to pass its record current. The temperature is impracticably low, Geroli admits, and Ceat hopes to demonstrate a buried 30m DC cable working at higher temperatures in 1997.

DC transmission cables are used by utilities to link different electricity grids together and have to carry very high currents. Enel, the Italian utility, is interested in the Ceat cable for submarine links between Italy's islands and the mainland. The Trans European Energy Network, a project to link the national grids of EU countries, could be another customer.

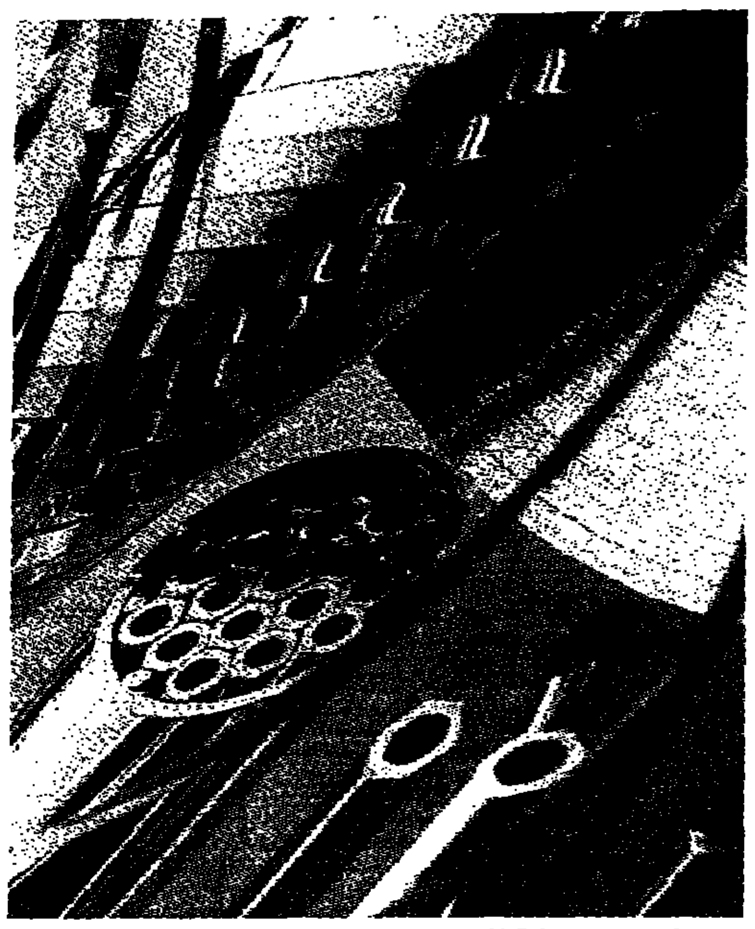
Superconductors lose all their electrical resistance when cooled below a certain temperature and can carry very large currents. Conventional copper or aluminium cables have resistance and heat up when passing large currents; this wastes about 15 per cent of the energy and makes cooling necessary for larger cables underground.

The first superconducting materials discovered, called low temperature superconductors (LTS), required costly liquid helium cooling systems to keep their temperature a few degrees above absolute zero (-273°C).

HTS materials, by contrast, keep their superconductivity at higher temperatures – around -200°C – and can thus be cooled cheaply using liquid nitrogen or, more recently, refrigerators called "cryo-coolers".

When the HTS effect was discovered in 1986, its uses seemed limitless. The US and Japanese governments poured money into projects such as magnetic levitation trains and super-smart satellites. But progress has been slow.

"There was a lot of hype then about superconducting, and it has taken 10 years of development to produce the first products," admits Greg Yurek, president and chief executive of American Superconductor (ASC), an HTS pioneer.



Keeping cool: HTS cables will carry far more current with little or no power loss

Eight HTS materials have been discovered and efforts have shifted to improving production processes and developing products, particularly for the power industry, where commercial breakthrough seems closest.

A significant stumbling block has been the brittleness of HTS materials, which are copper-based ceramic oxides and resemble talcum powder. "If you can't make the superconductor into a flexible tape it is not a lot of use," says John McCormack, technology manager for superconductivity at BICC, which makes the HTS tapes for Ceat Cavi.

BICC starts with an off-the-shelf HTS powder, called BSSCO, which is inserted in a silver tube. A series of heating and rolling operations generates the thin tapes, which can be used like conventional wire.

ASC has been making HTS wires since 1992 and last June sold its first product. The device, called a current lead, cuts refrigeration costs for cryogenic environments. Unlike the brass leads traditionally used to feed large currents into these systems, the HTS lead does not also let in external heat.

The company is testing more mainstream applications for its HTS wire, including power convertors, transformers and motor windings, with industrial customers. The first products are expected in two to five years. It is working with German energy group RWE on an HT current limiter – essentially a giant fuse to protect power grids from lightning strikes. Today's limiters, have to be replaced once they trip. An HTS limiter would not have this disadvantage.

"Superconductivity seems to be the only technology that fulfils our requirements," says Ulrich Hartmann, a research manager at RWE, which will decide in December whether to build a prototype.

Power transmission seems a promising market. In many cities power demand is growing fast. Utilities want to add more capacity, but they do not want to dig up streets as excavation accounts for about 70 per cent of installation costs. By replacing copper cables with HTS ones, utilities could increase capacity by two to five times. In the US, such a "retrofit" is relatively easy as existing cables are laid in pipes and could be withdrawn and replaced with HTS cables without excavating.

ASC is working with Italy's Pirelli, the US Department of Energy and US utilities to develop HTS cables for this retrofit application. Next month, Pirelli will show what it claims is the first HTS cable constructed using conventional cable-stranding machinery – essential if the cables are to be mass-produced. The project aims to demonstrate a 30m HTS cable working underground by 1998.

Gabriele Maschio, Pirelli research director, claims HTS transmission cables will be competitive with traditional cables in five years. Today, the high costs of the HTS materials – BSSCO costs up to $3 (£1.90) a gram – and the complex wire-drawing process make HTS cables expensive.

The superconductor industry could also benefit from growing concern for the aesthetic problems and alleged health risks of overhead transmission lines. Utilities in Europe and North America are increasingly burying sections of new lines. But this is more costly, as three underground copper cables need to be installed to replace the capacity of one overhead line. With HTS cable, installation costs are less as only one is needed to carry the same capacity. However, Yurek does not see HTS cable widely replacing overhead lines until 2010.

EU R&D gathers pace

The European Union has just released a further Ecu475m (£390m) worth of grants to 369 research projects, as its Fourth Framework Programme for R&D gathers pace. Brite-EuRam, the section covering industrial and materials technologies, has launched 209 projects – selected from 1,180 proposals submitted by the first closing date last March – and the biotechnology programme has a further 60.

The largest individual projects come under the Brite-EuRam banner. They include: developing a new generation of low-pollution aero engines; reducing the sulphur content of petrol; eliminating the need for lubrication in machine tools; recycling waste from the construction industry; making freight trains quieter; and treating severe burns with biomaterials in which biodegradable polymers support the growth of new skin cells.

Living cells play a bigger role in the biotechnology programme. Projects here include: using fungi for more efficient antibiotics production; finding genes that control the production of proteins in cells; and developing "vectors" to carry new genes into human cells.

According to DG XII, the directorate-general responsible for R&D, there has been a general increase in industrial participation since the Third Framework programme.

Most of the big names in European biotech are taking part in the 60 biotechnology projects, as well as many smaller companies and 528 academic laboratories.

The types of proposal received for Brite-EuRam show the importance to industry of grouping projects around common objectives. For example, the motor and aerospace industries have together proposed six projects concerning the application of information technology.

Readers whose companies or universities may want to apply for Framework research grants can see the current status of all 17 specific programmes in the table below.

Clive Cookson

EUROPEAN UNION RESEARCH AND TECHNOLOGY GRANTS

	Date/OJ Reference	Due date	Value -Ecu m	DG	Contact fax
Information Technology (ESPRIT)	15.12.94/C357 15.3.95/C64 15.6.95/C148 15.9.95/C240	15.2.96 (part) • • 15.12.95	1911	III	Mrs Gerda Colling +32-2-296.83.88
Software; components & sub-systems: multimedia; high-performance computing; business process technologies; manufacturing integration					
Telematics Applications	15.9.95/C240	15.1.96 & 15.6.96	843	XIII	+352-4301.340.79 & +32-2-295.23.54
Administration; transport; urban & rural areas; education & training; healthcare; environment; language engineering.					
Advanced Communications Technologies & Services (ACTS)	15.9.95/C240	1.3.96	630	XIII	ACTS Central Office +32-2-295.06.54
Interactive digital multimedia; photonics; high-speed networking; mobility & personal communications networks; network intelligence.					
Industrial & Materials Technologies (BRITE-EURAM)	15.12.94/C357 17.10.95	16.12.96-17.12.97 31.1.96	1617	XII	Help line +32-2-295.80.46
Production technologies; materials & technologies for product innovation; technologies for transport.					
Standards Measurements and Testing (SMT)	15.12.94/C357 15.6.95/C148	15.3.95-17.12.97 15.11.95-15.11.97 25.10.95	173	XII	Mr David Gould +32-2-295.80.72
Measurements for Quality European Products; standards & technical support; measurements related to needs of society.					
Environment and Climate	15.1.95/C12 & 15.6.95/C148 17.10.95	15.6.96 & 27.3.97 (SMEs)	532	XII	Space technology +32-2-296.05.88 Other areas +32-2-296.30.24
Environmental quality & global change; environmental technology; space techniques for environmental monitoring & research; sustainable development					
Marine Science and Technology (MAST III)	15.12.94/C357 15.3.96	11.6.97 & 17.12.97 (SMEs)	228	XII	Mr Jean Boissonnas +32-2-296.30.24
Marine science; strategic marine research; marine technology.					
Biotechnology	15.9.95/C240 15.3.96	10.1.96	552	XII	Mr Alfredo Aguilar +32-2-295.53.65
Cell factories; genome analysis; cell communications in neurosciences; immunology and vaccines; structural biology; biodiversity; social acceptance.					
Biomedicine and Health	17.1.95/C12 15.12.96 15.3.96	31.3.96-31.12.97 (fellowships)	336	XII	Mr Alain Vanvossel +32-2-295.53.65
Pharmaceuticals; biomedical technology & engineering; brain research; human genome research; public health; biomedical ethics.					
Agriculture and Fisheries (FAIR)	15.12.94/C357 15.12.95	12.6.96 & 11.6.97 (SMEs)	607	XII	Mr Xabier Goenaga +32-2-296.43.22
Integrated production & processing chains; nutritious foods; agriculture, forestry & rural development; fisheries & aquaculture.					
Non-nuclear energy (JOULE-THERMIE)	15.12.94/C357 15.9.95/C240 15.9.96(R&D)	17.12.97(demo) 1.2.96 1.97	967	XII XVII	Mr Michel Poireau (R&D) +32-2-295.06.56 Mr Wiepke Folkertsma (Demonstration) +32-2-295.05.77
Strategy; rational energy use; renewable sources; fossil fuels; energy technology dissemination.					
Nuclear fission safety	17.1.95/C12	28.2.96 & 1.11.97	160	XII	Radiation protection +32-2-296.82.56 All other areas +32-2-295.49.91
Innovative approaches; reactor safety & severe accidents; radioactive waste management, disposal & decommissioning; impact on man & environment.					
Transport	15.9.95/C240 15.12.95	(advance notice) 15.3.96	240	VII	Mr Egidio Leonardi +32-2-296.83.50
Strategy; rail; integrated transport chains; air; urban; water-borne; road.					
Targeted Socio-Economic Research (TSER)	No open calls 15.3.96		105	XII	Mr Dimitri Corpakis +32-2-296.20.07
Evaluation of science & technology policy options; education & training; social integration & exclusion.					
International Cooperation (INCO)	15.9.95/C240 17.10.95	(advance notice)	540	XII	Developing countries +32-2-296.62.52 Central/Eastern Europe +32-2-296.33.08
Central & Eastern Europe; other industrialised countries; developing countries.					
Dissemination & application of results (INNOVATION)	15.9.95/C240 (two calls)	15.12.95 15.3.96	293	XIII	Mr Robin Miège +352-4301.34544 Mr Jean-Nöel Durvy +352-4301.34129
Technology validation; technology transfer.					
Training & Mobility of Researchers (TMR)	15.9.95/C240 15.3.96	15.12.95 15.3.97	744	XII	Mr Dreux de Nettancourt +32-2-295.69.95
Research networks; access to large-scale facilities; training through research; conferences & summer schools.					

The table above shows the status of all 17 programmes that distribute R&D grants within the EU Fourth Framework Programme. The name of each programme (and acronym, if any) is on the left in bold type, with a brief list of its main research areas beneath.

The next column gives the date(s) on which the EU Official Journal has published a "call for proposals" for the programme, with the reference number of the journal. Dates (without a reference number) show when the future calls are scheduled.

The "due date" column gives the main deadline for submitting project proposals. Some calls have different due dates for different activities. The total budget of the programme over five years is given in millions of Ecu, followed by the number of the directorate-general responsible for it.

Finally, there is a contact name (where available) and fax number in Brussels or Luxembourg. For further information look for DG XII's pages on the EC's Europa web site at http://www.cec.lu/en/comm.html.

ARTS

New challenge for Sadler's Wells

Lottery largesse from the Arts Council does not come free, reports **Antony Thorncroft**

For Sadler's Wells, the easy part is over. It was confirmed yesterday that it is to receive up to £30m from the Arts Council in lottery funding towards the cost of a new theatre. But its planned transformation – from an uncomfortable 1930s box with a stage so tiny that it made its pretentions as a national dance house laughable – into the most modern theatre in the land now confronts the big obstacle. How to raise £8m from its own resources to finalise the deal?

Sadler's Wells has a fanatical following, but it tends to consist of impoverished dance fans who can only contribute their loyalty. The most obvious suppliers of the essential cheques to clinch the development – the local authority and rich friends – are less dependable. Sadler's Wells is located in London's poor, inner city Islington, which has no great reputation for loving the arts. For most philanthropic individuals and companies it is on the wrong side of the tracks, without the accessibility, or the hospitality appeal, of the Royal Opera House or the Coliseum.

But Sadler's Wells has some strong cards. Its chief executive, Ian Albery, who was lured from the West End to turn the theatre round, has made a good job of cutting the deficit and raising the revenue. He has also come up with plans for an impressive new building, with a striking glass wall as a frontage which can change colour to reflect the artists performing, plus a flexible auditorium inside which can grow from 800 to 1500 seats.

Sadler's Wells has also head-hunted Griselda Bear from the Royal Academy as director of development, and she has access to some of the most generous corporate sponsors in the UK. The local MP, Chris Smith, is hosting a party this month to launch the re-development, and as shadow heritage minister he adds credibility to contacts. Cherie Blair is also a big fan.

Above all, the Arts Council would not favour the project if it was unsure of its eventual success. In the six months of lottery funding of the arts, the essential matching money has always been rustled up somehow. The other big winner yesterday, the Shakespeare Globe Trust which received £12.4m, had been put on hold until it convinced the council about its financial viability. A timely £1m gift last month from Gordon Getty did the trick. *The Globe should open next June 14,* birthday of its driving force, the late Sam Wanamaker.

To date the council has given grants valued at £180m to 315 companies. With such a substantial sum at stake it has become concerned about rogue projects and is setting up a seven-strong squad of anti-fraud trouble-shooters to ensure that its funding leads smoothly to completed capital projects.

Lord Gowrie, chairman of the Arts Council, made clear yesterday that he is keen to stretch the unceasing flow of lottery money into creative projects. Grants for new movies are already available, and a screen adaptation of Adrian Noble's production of *A Midsummer Night's Dream* yesterday received £750,000 while a movie of William Golding's novel *The Spire* was helped with £1m.

Lord Gowrie now wants commissions of new plays, new music, new dance to launch the refurbished arts venues. He is also keen to help art forms that find it hard to qualify for capital grants to investigate lottery funding, and he displayed a secret passion for reggae.

Although London based companies received most of the £51m distributed yesterday, Lord Gowrie badly wants more bids from the regions. The £2.5m grant to The Hall for Cornwall Trust at Truro, which gives the county at last a receiving house large enough to welcome good touring productions, and the £1.5m for Wellhouse Community Arts Centre, which serves rural Avon, were perfect examples of desirable lottery funded projects.

Theatre/**Ian Shuttleworth**

Master Builder: the director's cut

Peter Hall and Inga-Stina Ewbank, in a programme note upon their translation of Ibsen's play, remind us of the often oblique, allusive character of its language, noting that "for much of the time the dialogue represents only the tip of an iceberg of unspoken thought". It is, then, all the more strange and frustrating that as director Hall insists so often on broad, unsubtle portrayals from his actors.

Alan Bates delivers many of master builder Solness' lines like a man whose heart is literally about to give out: rushing breathlessly through phrases, pausing in odd places and firing out the occasional single word like a pellet of buckshot. It takes some time to tune into this style before one can appreciate the advantages it also brings, chiefly the freedom to deliver with a defensive bluffness remarks which hurtle unheralded into full-blooded poetic symbolism. Bates' Solness is so unused to speaking truthfully of his own feelings and fears that, although he welcomes the sudden arrival of Hilde Wangel as providing someone he can talk to freely, his ingrowing habits of speech continue even as he attempts to confront the "trollish" side of his nature.

After her remarkable performance in Jane Saunders' *Retreat* at the Orange Tree earlier this year, Victoria Hamilton begins to corner the market in confident young women who walk unannounced into the homes of men of a certain age and overturn their entire perspectives. Her Hilde is assured but not arrogant, seducing Solness with her enthusiasms more than she belabours him with her 10-year obsession; in her raggle-taggle clothing, she brings with her the odour of the world beyond the master builder's stifling home and business life, like a road movie incarnate.

Left to her own devices, Hamilton would be a wonderful Hilde. But she has been pushed too far: her vocal inflections are exaggerated and, in common with the rest of the cast, she is prey to bouts of unnecessary gesturing. Hall's professed care to catch the differing registers of the translation has puzzlingly evaporated in his direction, which demands too much too often and creates an air of artifice verging on most un-Ibsenesque melodrama.

Gemma Jones as Aline Solness comes closest to reconciling the conflicting demands of play and production. Her pathological propriety, which at first only slips when she gives a nicely judged, barely perceptible sing-song term to the darts of reproof she aims at her husband, finds itself by the third act in full battle with the despair she has bottled up for years. In the most telling single moment of the evening, she reaches a hand out to stroke the face of the basking Hilde then suppresses the gesture; the move itself speaks of Mrs Solness' inner turmoil, while its ostentation testifies to Hall's over-direction.

It is disconcerting to see a director at once demonstrate a thorough, detailed understanding of a play and yet not trust it to do its own work without a succession of pointers to the audience. This conflict – Hall's own troll – is unfortunately quite as visible as those which plague master builder Solness.

At the Theatre Royal, Haymarket, London SW1 (0171 930-8800).

Ibsen with artifice: Victoria Hamilton and Alan Bates in Peter Hall's new production — Alastair Muir

Concert

The Nash tunes in to Vienna

Vienna is a fail-safe theme for a concert series. Under that heading much of the best-loved music of the world presents itself and the Nash Ensemble's version of it, "Vienna and the Romantic Century" – seven concerts at the Wigmore Hall running till February – is hardly limiting. It merely seems to mean that Haydn and Mozart are excluded from this survey of vocal and chamber music, but Beethoven isn't and nor is Wagner: his *Siegfried Idyll*, being given in December alongside Schoenberg's chamber-reduction of Mahler's *Das Lied von der Erde*, has no Viennese connection as far as I know, though it epitomises the "Romantic century".

Such a programme promises to be enthralling, however; and the opportunity to hear Mahler's various orchestral songs and song-cycles in chamber arrangements of today (David Matthews's *Rückert Lieder* in January, Reinbert de Leeuw's *Kindertotenlieder* in February) as well as yesterday, and be able to enjoy rather seldom-performed music by Zemlinsky as well as unusual versions (by Schoenberg, Berg, Webern) of oft-performed waltzes by Strauss, is altogether welcome.

But for all its seasonal devising of themes, the Nash Ensemble invariably finds a way of playing just the music it likes – fine music that is grateful to play – for it is in pleasing themselves and, as true chamber musicians, playing to and for each other, that they please us. Their opening item last Saturday, Beethoven's tuneful, airy, early Trio in B flat (Op.11) for clarinet, cello and piano certainly could not have failed to please. Michael Collins, Christopher van Kampen and Ian Brown gave a joyous display of smooth, relaxed mastery. Expanded to a wind band 13-strong, the Nash delivered its final item – Richard Strauss's early Suite in B flat (Op.4) – with an exuberant panache and exquisite voicing of chordal textures all more notable for the lack of a conductor (but the hall's acoustics helped).

There was a conductor, Martyn Brabbins, only for the performance of Berg's Seven Early Songs in Reinbert de Leeuw's realisation for string quintet, flute, clarinet, piano and harmonium. This is the odd sort of instrumentation used by Schoenberg and his pupils for those Strauss waltz arrangements and elsewhere; one whose Viennese flavour is always, to my ear, mixed up with the Welshness of the harmonium's chapel-wheeze and the Victorian parlour connotations of the merrily flowing piano part. Soprano Rosemary Hardy was engaging here, and in three of Mahler's *Des Knaben Wunderhorn* songs, accompanied at the piano by Ian Brown.

Paul Driver

Detail from 'Aziza', a forest god, by Cyprien Tokoudagba

Modern Africa stays true to its roots

William Packer admires the work of contemporary artists

Africa 95 bills itself as the largest ever season of African arts to be mounted in the UK, with well over 60 organisations, large and small, from around the country and abroad, listed as taking part. The flagship of the whole thing is the Royal Academy's pan-cultural *The Art of a Continent*, of which I have already written. But in bringing us African art from man's earliest beginnings almost up to the day before yesterday, it does leave one big question hanging in the air. What, in short, are the artists of Africa doing now?

A number of the other *Africa 95* shows attempt an answer. Taken together they have much in common, even to the point of sharing some of their artists, and certain general points may be made.

Above all, it is always the artist who remains unselfconsciously true to himself and to the informing experiences of his life who is the more interesting and successful. This is not to say that artists should remain forever prisoners of tradition, but that it is the very acceptance and assimilation of such native influence and experience that frees the artist to develop in whatever way is appropriate.

If the artist chooses to work within such familiar limits, so be it, and if we then condescend to what we perceive as mere ethnic authenticity, that is our mistake. What is infinitely more damaging and, given modern global communications, too dreadfully easy, is that the artist from a remote society should be misled into producing not the work that is true to himself, but what he thinks he ought to be producing in terms of fashionable western modernism. Since the war this has happened in much of the work that has come out of Japan, India and the Middle East, China and even Russia in more recent times.

What is so encouraging in the *Africa 95* shows that I have seen is that this trap has been avoided. Whether it was a clear policy in the selection or mere intuition, the fact is that the work presents itself neither as ethnic curiosity nor self-conscious modernism, but just as itself on its own terms. And the paradox is that it turns out to be very modern, in the sense of being of its place and time.

There is inevitably a certain amount of politics in the imagery, especially in the South African work. But what there is is unforced, leaving the work to speak for itself. And speak it does, powerfully. Here are the cult mural images which Cyprien Tokoudagba paints for the shrines and temples of Benin (Liverpool Tate/Serpentine), and here the private mythologies of Frederic Bouabre from the Ivory Coast (Serpentine), with his post-card drawings of cunning animal traps, and divine marks of destiny. And here from South Africa is the more conventional, though no less effective, narrative figuration of William Kentridge (Delfina/Jacobson), and the bitterly ironical Biko images of Paul Stopforth and Sam Nhlengethwa (Whitechapel).

Norman Catherine, another South African, emerges as a real star (Whitechapel/Delfina/Jacobson), with his gleefully sophisticated *art brut* imagery of masks and brightly-painted mannikins and gaping monsters. But I was taken quite as much by the gruesome sculptural tableaux of Johannes Segogela, again a South African (Serpentine), with his devilish butcher's shop and even the devil himself turning his victim on a spit.

Overall the painting is uneven, but Tokoudagba's hieratic murals, with their gods totems, are indeed outstanding, and Farid Belkahia from Morocco (Liverpool Tate) shows painted and near-abstract reliefs that are exquisitely worked. The vigorous expressionist allegories of Sane Wadu, from Kenya (Whitechapel), are impressive, while his compatriot, Joel Oswaggo's stylishly simple drawings of the more painful side of village medicine are horribly funny.

All the shows listed here are lively and various, and hold particular things of great interest and even beauty. Reinata Passema's sculptural pots, for example (Delfina), entirely traditional as they are yet as fresh as today, are wonderful in their figurative and formal invention. The Sudanese Mohammed Abdalla's monumentally simple pot (Whitechapel), with its reptile-skin glaze, is simply as fine a work of art as one could wish to see.

But go to the Whitechapel first, for of them all, it is the only show to attempt a comprehensive and truly international view. Follow it through its *Seven Stories about Modern Art in Africa* and the rest will make much more sense. All are worth seeing.

Seven Stories about Modern Art in Africa: Whitechapel Art Gallery, London E1, until November 26; sponsored by Standard Bank. Vital – three contemporary African artists: Tate Gallery, Liverpool, until December 10. Big City – artists from Africa: Serpentine Gallery, London W2, until November 5; sponsored by Mango Records. On the Road – 10 South African artists: Delfina Studio Trust, London SE1, until November 15. Mayibuye i Afrika – contemporary South African Art: Bernard Jacobson Gallery, London W1, until October 28.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 573 2911
● Christiaan Bastiaans: giant video installation; to Nov 26
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 17, 20, 23, 25

■ ANTWERP

OPERA/BALLET
De Vlaamse Opera Tel:(03)233 6685
● The Marriage of Figaro: by Mozart. A new production directed by Guy Joosten and conducted by Peter Erckens; 7.30pm; Oct 18, 20, 22 (3pm), 25

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 19, 20, 21
OPERA/BALLET
Lyric Opera House Tel: (410) 727 6000
● La Traviata: conducted by Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhi/Maria Pellegrini, Nicole Biondi and Steven Rainbolt; 8.15pm; Oct 18 (7.30pm), 20, 21, 22 (3pm)

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing and produced by Pier Luigi Samaritani; 7.30pm; Oct 21, 25

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 134 0400
● Orchestra of Padova and Veneto: with pianist and conductor Alexander Lonquich in an all-Mozart programme; 8pm; Oct 17
● Radio Symphony Orchestra: Eliahu Inbal conducts Schumann and Mahler; 8pm; Oct 18 (7.30pm), 19, 20

■ LONDON

CONCERTS
Queen Elizabeth Hall Tel: (0171) 928 8800
● The Chinese New Tide: with soprano Judith Mok and baritone Shi Kelong. Tan Dun conducts a programme of first generation Chinese composers such as Qu Xiaosong and Chen Qigang; 7.45pm; Oct 22
Royal Festival Hall Tel: (0171) 928 8800
● Guitar Encounters: an evening of guitar, flamenco and Andean music with John Williams, Paco Pena and Inti-Illimani; 7.30pm; Oct 24
● Philharmonia Orchestra: Christoph von Dohnányi conducts Richard Rodney Bennett and Mahler; 7.30pm; Oct 19
● The London Philharmonic: Roger Norrington conducts an all-Berlioz programme; 7.30pm; Oct 18
● The London Philharmonic: with mezzo-soprano Jennifer Larmore, bass José van Dam and the London Philharmonic Choir. Roger Norrington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct 25
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● The Marriage of Figaro: by Mozart. Conducted by Bernard Haitink/David Syrus and directed by Patrick Young. Soloists include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct 17, 20

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion Tel: (213) 365 3500
● Itzhak Perlman: violinist with pianist Janet Goodman Guggenheim plays Brahms, Bach and Poulenc; 8pm; Oct 17
● Los Angeles Philharmonic: with cellist Daniel Rothmuller. Franz Welser-Möst conducts Mozart's "Symphony No.31", Dvořák's "Symphony No.7" and Hindemith's "Cello Concerto". This concert marks the beginning of the Philharmonic's Hindemith centennial tribute; 8pm; Oct 20, 21, 22 (2.30pm)

■ NEW YORK

CONCERTS
Carnegie Hall Tel: (212) 247 7800
● Maurizio Pollini: pianist plays an all-Beethoven programme; 7.30pm; Oct 23
● Norwegian Chamber Orchestra: Iona Brown conducts Arn, Grieg, Vaughan Williams, Stravinsky and Mozart; 8pm; Oct 17
● Symphony Orchestra of Montreal: with pianist Yefim Bronfman. Charles Dutoit conducts Berlioz's "Les Francs-Juges", Saint-Saens' "Piano Concerto No.2", Chausson's "Symphony in B Flat Major" and Ravel's "Spanish Rhapsody"; 8pm; Oct 21

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with bass baritone José van Dam. Serge Baudo conducts Berlioz, Delibes, Massenet and Wagner; 8.30pm; Oct 17
● National Orchestra of France: with pianist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21
GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Feminine and Masculine: the sexuality of art. Exhibition exploring sexual identity and its effect on twentieth century artists; from Oct 19 to Jan 8

■ STOCKHOLM

GALLERIES
Pro Persona Tel: (08) 20 44 27
● Kjell Engman: contemporary sculptures in glass and metal; to Nov 11

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 1363
● Viennese Symphony Orchestra: Rafael Frühbeck de Burgos conducts Wagner, Brahms and Beethoven; 7.30pm; Oct 21, 22
OPERA/BALLET
Wiener Kammeroper Tel: (1) 512 0100
● The Turn of the Screw: by Britten. Conducted by Edgar Seipenbusch/Joan Grimalt. Soloists include Mark Duffin, Olga Schalaewa and Felix Purzner/Ingo Petersen; 7.30pm; Oct 21, 23, 25

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Delius, Glazunov, Carter and Bartók; 2pm; Oct 22
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic Dances"; 8.30pm; Oct 19, 20, 21, 24
● National Symphony Orchestra: Sir Neville Marriner conducts Bartók, Mozart, Nelson and Beethoven; 8.30pm; Oct 26
● Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartók; 8pm; Oct 25
GALLERIES
Hirschhorn Museum Tel: (202) 357 2700
● Directions-Martin Kippenberger: works on paper. Approximately 50 satirical drawings on hotel stationary by the german artist along with some of his collages and drawings on paper; to Oct 22
National Gallery Tel: (202) 737 4215
● Winslow Homer: more than 225 works including 86 oils by the American artist; 8pm; to Jan 28
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by an ensemble of dancers from companies such as the Paris Ballet, the American Ballet Theatre and the New York City Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17, 18, 19, 20, 21, 22 (2pm)
THEATRE
Kennedy Center Tel: (202) 467 4600
● Master Class: by Terrance McNally. Zoe Caldwell stars as Maria Callas, reliving her triumphs and tragedies as she coaches a trio of young singers; to Oct 22

WORLD SERVICE

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THE FT INTERVIEW: King Hussein of Jordan

Court of the chameleon

King Hussein of Jordan is showing an inclination to lead which is discomfiting his more powerful Arab neighbours. Long viewed by his rivals and peers in the Middle East as a political chameleon, the King – at the head of a buffer state that has been buffeted since its birth – is now prescribing a possible future for Saddam Hussein's Iraq.

And, just as irritating to Arab dictators and absolute monarchs, he is offering the democratic experience of Jordan as a model for the region. He is courteous to a fault, as ever; but he has stopped mincing words.

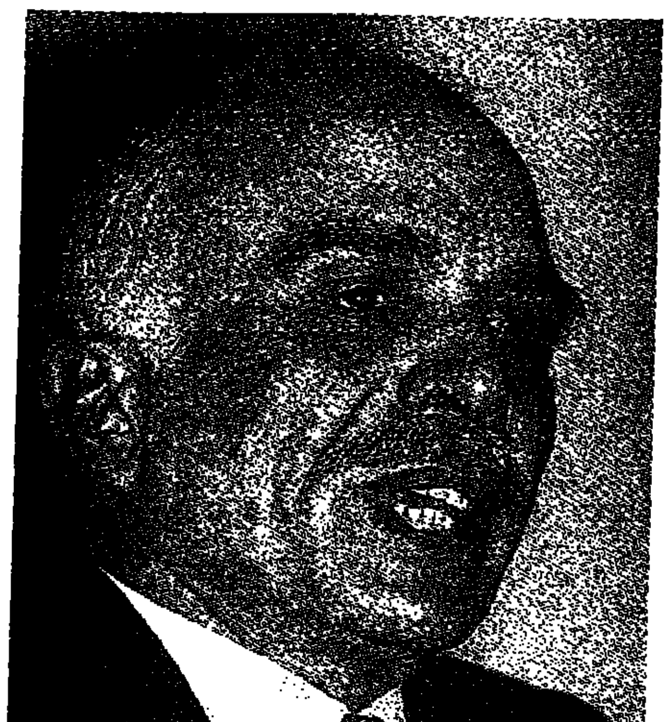
In an interview yesterday at the royal palace in Amman, he dismissed Sunday's referendum in Iraq as a "dangerous farce" which could accelerate the disintegration of the country between the Kurdish north, the Shia Moslem south, and a centre under Saddam's Sunni Moslem Takriti clan.

"Unfortunately in our region we have seen many examples of 99 point something per cent" results at the polls, King Hussein said, referring to the official Iraqi outcome of a 99.96 per cent endorsement of Saddam's presidency. But he warned of a "bloodbath" and "a disaster that would affect the entire region" if Iraqis continued to be "strangled from without" by UN sanctions and "oppressed from within" by the Saddam regime.

Since August's defections to Amman of two of Saddam's sons-in-law and senior henchmen, King Hussein has been putting the finishing touches to his repositioning of Jordan on the international stage – a process begun with the 1994 peace treaty with Israel.

Reviled during the 1990-91 Gulf war by the west and its Arab allies for Jordan's ambivalence towards the Iraqi invasion of Kuwait, the King is now feted in western capitals. To the annoyance of Egypt and Syria, he is even more assiduously courted as a regional powerbroker following the Iraqi defections and his immediate call thereafter for political change in Iraq.

He said the arrival of August's "unexpected guests" was "the critical moment" when the extent of Iraq's internal decomposition became clear to him. But yesterday he also prescribed some solutions.



King Hussein: pragmatic policies are a hallmark

"I have the conviction that what we need in Iraq most is for us to get credible representatives of the three major components of Iraq's people," he said, "[to get them] somewhere to sit together and work out a national reconciliation between themselves, and to remove this spectre of a bloodbath all Iraqis are afraid of." The outcome of such an exercise, he believes, should be new constitutional arrangements, in which "a federated Iraq might be the answer" to fears of an Iraqi break-up.

These fears, along with suspicions that Jordan's Hashemite royal family might be angling to regain the Iraqi throne lost to the Ba'ath party in a bloody coup in 1958, swept through the region after August's defections. The Syrian and Iranian regimes, bitter foes of Baghdad, suddenly decided that Saddam and the status quo were preferable to a potentially dangerous disintegration of Iraq.

King Hussein, once second in line to the Iraqi throne, acknowledged that his ideas were meeting resistance in the Middle East. "There is not much evidence of support in the region so far," but "a lot of people are listening," he said. However, he smiled at the suggestion that the Hashemites might want to expand their influence. He stated flatly: "I gave all that up."

Pragmatic policies are a hallmark of the British-educated monarch, who in 43 years on the throne has survived attempted coups and assassinations, three Arab-Israeli wars and the Gulf crisis, as well as a Nasserist rebellion and a civil war with Palestinians.

Uneasy lies the Head was an inevitable title for his autobiography, but it is a head – as the historian Kamal Salibi observes – which readily calculates "assets and liabilities".

The King rebuffs suggestions that he broke Arab ranks by signing a peace deal with Israel. Egypt had gone before (in 1979), but most importantly, "our Palestinian brothers" had gone ahead with the 1993 Oslo accord with the Jewish state. "We have our hopes and future to look after," he said. "Jordan will never be a card in anybody's hand to play; Jordan belongs to the Jordanians."

Syria, which wants its Golan Heights restored in exchange for peace, and Lebanon, under Syrian domination and seeking the return of its Israeli-occupied southern territory, have made little headway with the Israelis because of a Syrian insistence on US mediation rather than face-to-face talks – a policy implicitly criticised by King Hussein. "When we chose to move," he said, "the way forward was direct negotiations, and direct negotiations at the highest levels."

Yet in his determination to lead, on peace with Israel or on Iraq, the King has to calculate finely how far he can move ahead of his subjects – a majority of whom are of Palestinian origin. "I belong firmly in the peace camp," he declared, but warns that the stuttering peace process is "a race, between those who believe in life and stability [and] the prisoners of the past with all its horrors".

In this context, "one of the greatest weaknesses of the Arab world is the absence of pluralism, democracy and human rights," he argued. He offered Jordan's restoration of democracy from 1989 "as an example that works" and one that should be a model for the region. All his neighbours (except Kuwait) reject Jordan's inclusion of Islamic fundamentalists such as the Moslem Brotherhood into the parliament and (briefly) the cabinet as playing with fire.

Unlike some of his advisers, he claimed he was not conscious of taking a risk. He signed up all forces, including the Islamists, to a new constitutional consensus before the 1989 elections. The Islamists did well but later dropped in popularity, partly because of changed voting rules.

The King is more than happy with the outcome. "The people of Jordan are far more mature than some of the people involved in politics," he said. "It has taken a long time in this country to come to the point where we believe in ourselves and believe that Jordan has something to say."

David Gardner and **Julian Ozanne**

Europa: Paul De Grauwe

An easier road to Emu

Despite the show of unity by EU finance ministers at their recent meeting in Valencia, doubts persist about the start of European economic and monetary union (Emu) before the end of the decade.

Recent events show that the Maastricht approach – based on the idea that countries have to converge in terms of inflation, interest rates and budgetary policies prior to monetary union – is a very risky one. It now seems increasingly likely that many countries will not succeed in meeting the convergence targets before 1999.

The greatest danger of the Maastricht approach is that it will split the European Union, politically and economically. Politically, it will maximise conflicts over membership: those countries that are left out (and they are likely to form the majority) will not readily give their agreement to a union from which they are barred.

Economically, it will create a divide between the members of the monetary union and the non-members. Those left outside monetary union will face greater volatility in their exchange rates than those inside. This will make trade more difficult inside the single market, and may even reverse the historic process of European economic integration.

It is paradoxical that while the Maastricht treaty was aimed at strengthening the European Union, it is likely to do exactly the opposite. The risky approach to economic and monetary union adopted by the Maastricht treaty is all the more surprising because prior convergence of inflation, interest rates and budgetary policies is not necessary for economic and monetary union.

West Germany organised its monetary union with the former German Democratic Republic in six months without any such conditions. Many other monetary unification processes have taken place very quickly without imposing prior convergence criteria on the prospective members. Europe could launch Emu in a relatively short period if it really wanted to – and without the convergence criteria.

An even greater paradox of the Maastricht strategy is that convergence is much easier to achieve inside a monetary union than outside one. For example, the easiest way to move inflation rates together is to *start* with economic and monetary union. The reason is simple. Monetary union eliminates national currencies and the different inflation rates attached to them. The single currency that takes over will have pretty much the same rate of inflation everywhere in the union.

While the Maastricht treaty was aimed at strengthening the European Union, it is likely to do exactly the opposite

Similarly, budgetary convergence would be easier to achieve inside a monetary union. Reducing government debt is a desirable goal for countries such as Belgium and Italy, but much more difficult if they are kept outside the proposed monetary union (as now appears more and more likely). Countries outside the monetary union have to keep their real interest rates higher than those inside it because of the risk of devaluation. This increases the debt burden and makes it harder to reduce the budget deficit. Here again, convergence would be easier to achieve inside than outside the union.

Thus it can be argued that the Maastricht approach is a hard way to organise economic and monetary union. It also carries the risk that many countries will fail to pass the entry test for a long period of time.

Any workable alternative to the Maastricht approach must accommodate Germany's fear of inflation – so that it is prepared to enter a monetary union in which it would be only one of many members. Countries with excessive budget deficits and government debt are likely to be tempted by an occasional burst of inflation to reduce the real burden of the debt. Thus Germany insists that deficits and debt be reduced as a condition for joining the union.

This creates another paradox. On the one hand, highly indebted countries such as Italy and Belgium cannot be admitted to Emu because this would jeopardise price stability in the future. On the other, letting these countries into Emu would make it easier for them to reduce their budget deficits and government debt. What is needed is a strategy that provides the guarantees of price stability which Germany demands without creating deep divisions in the EU.

The solution is to reform the transition arrangements to put less emphasis on the convergence requirements and more on strengthening the future monetary institutions under economic and monetary union. In other words, more emphasis should be put on ensuring that the future European central bank delivers on its mandate to create price stability.

One way to do this would be to withhold voting rights on the board of directors of the European central bank from countries which fail to control their budget deficits. Thus, countries such as Italy and Belgium would be accepted into the union but would not be allowed to take part in the decision-making process of the central bank until they had put their budgetary houses in order. This should allay German fears that heavily indebted countries will push the central bank into pursuing too expansionary a monetary policy.

A further measure would be to strengthen the institutional arrangements to make the European central bank more accountable for its anti-inflation performance. There should be a formal procedure for removing the directors if they fail to maintain price stability. This would do more to avoid inflation after monetary union than insisting that countries reduce their inflation rates and budget deficits in the second half of the 1990s, before the union starts.

A shift of focus – away from convergence requirements and towards strengthening of Europe's future monetary institutions – increases the likelihood that economic and monetary union will create a zone of monetary stability. At the same time it would reduce the risk of a great and permanent division of the EU.

Such a division would not be in the interest of those countries allowed into the monetary union, let alone of those which are left out.

The author is professor of economics at the University of Leuven and MP for the Liberal party in the Belgian parliament

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

No merger planned by US and UK law firms

From Mr Henry L. King.

Sir, I have just read the two articles in the October 16 issue of the Financial Times, "Urge to merge over the Atlantic" and "London and New York law firms prepare for mergers", in which there is a report of rumours that Davis Polk & Wardwell and Freshfields are considering a merger.

These rumours are totally unfounded. Davis Polk is not considering a merger with Freshfields or anyone else. Nor, as suggested in the articles, is there any thought of establishing a sizeable lawyer exchange programme between Freshfields and our firm.

Henry L. King,
managing partner and chairman,
management committee,
Davis Polk & Wardwell,
450 Lexington Avenue,
New York NY 10017, US

From Mr John Grieves.

Sir, Robert Rice's two articles mention rumours that Freshfields and Davis Polk & Wardwell are considering a merger.

These rumours are completely without foundation. We are not considering a merger with Davis Polk & Wardwell or anyone else. Furthermore, two supposed factors which are cited as being relevant in the context, namely, the establishment of a sizeable lawyer exchange programme between Freshfields and Davis Polk and Freshfields' alleged search for additional office space in London, are both incorrect.

No exchange programme exists and Freshfields is not looking for extra office space in London.

John Grieves,
senior partner,
Freshfields,
65 Fleet Street,
London EC4Y 1HS, UK

Emu could make matters worse in economic crisis

From Mr James Foreman-Peck.

Sir, Last week, Mr Roman Herzog, the president of Germany, told MEPs at Strasbourg that without Emu Europe would be thrown back into the international economic disorder of the 1930s ("Delors calls for a political roof for Emu", October 13).

One can never be entirely sure how policymakers will use their discretion in the face of unexpected events. But under an Emu during the world economic crisis of 1929-33 they would undoubtedly have been less able to set interest rates. In effect, there would have been only one European rate, instead of a number of national rates.

Hence, almost certainly interest rate policy would have been even less capable of preventing unemployment rising than it actually was. Historical levels of unemployment bred political extremism in these years. The consequences of an Emu making matters worse may be hard to imagine, but should not be dismissed.

James Foreman-Peck,
St Antony's College,
Oxford OX2 6JF, UK

Stronger trade unions emerging in Russia

From Dr Bob Arnot.

Sir, The picture presented of Russian trade unions in your article "Russian unions struggle for trust of workers" (October 10) only provides a partial view of their current situation.

First, over the past 12 months significant changes have begun to occur in trade union structures and organisation, including a variety of amalgamations which will strengthen their organisation.

Second, since the demise of Mikhail Gorbachev a change has been occurring in the trade union leadership. Increasingly, the people who are coming to prominence in the movement are a younger generation who have been active in the post-Soviet campaigns and strikes.

Third, the political and social muscle of the Federation of Independent Trade Unions of Russia (FITUR) can only really be assessed after this winter. FITUR has called for a programme of mass actions to intervene in the Duma election process and the first of these, on September 26, involved in excess of 500,000 teachers and education workers.

It is also worth noting that this year has seen an increase in strike activity in many sectors, regions, and occupations led by plant and local level trade unions. According to *Goskomstat* the number of enterprises involved more than doubled in comparison with the same period last year. Furthermore, the miners have struck yet again ("Russian miners strike to be paid", October 13) in an attempt to overcome the problem of wage arrears.

As you point out in your report, many economists may well see weak trade unions as good news for the reform process but the harmful effects of the reforms are accelerating the trade union movement's attempts to remove the negative images and role associated with the past.

Bob Arnot,
department of economics,
Glasgow Caledonian University,
Cowcaddens Road,
Glasgow G4 0BA,
UK

Alumni help fund future

From Mr Paul Ettinger.

Sir, Mr Graham Gould, in objecting to Insead raising funds from alumni (Letters, October 12), has forgotten one important point.

I, too, am an Insead alumnus and acknowledge that my future earnings stream was considerably enhanced by my MBA. As a result of raising funds from alumni and through corporate executive programmes, Insead can (and does) subsidise substantially the MBA programme. Without this subsidy many potential MBAs would be unable to contemplate losing a year's salary, in addition to paying full fees. Mr Gould paid considerably less for his MBA than the true full cost.

In giving money to Insead we are ensuring the school can continue to give others the advantages we now enjoy. The most important lesson we all learnt was that there is no such thing as a free lunch. My cheque to Insead is in the post with grateful thanks.

Paul Ettinger,
business development manager,
Courtaulds,
50 George Street,
London W1A 2BB, UK

Get on with it

From Prof Tom Stephenson.

Sir, Reviewing the European Environment Agency's tome on the state of the environment in Europe, David Lascelles wishes "people would stop discussing the environment, or writing reports about it, and just get on with it" ("The big picture from green encyclopaedia", October 11).

Hear, hear. We have long recognised this syndrome. It's called M3 – measure, monitor and moan. It is more difficult to get people interested in pollution abatement – "plumbing" is harder than M3.

Tom Stephenson, *director,*
school of water sciences,
Cranfield University,
Bedford MK43 0AL, UK

US auto industry unconcerned about setback to electric cars

From Mr Gus Holweger.

Sir, Re your story, "Setback for California's electric car" (October 13), the electric car issue is meant to make the public believe that there is general concern about the environment, and the exhaustion of non-renewable resources (oil). Nothing could be further from the truth.

The Detroit carmakers, the tyre industry and – surprising to me as a relative newcomer to California – many Californians who are in love with their cars have no interest in bringing about improvement. Your article underlines this.

Earlier this century, the US carmakers and the tyre industry succeeded within a very short period of time in taking over trolley and other rail transport systems in most large US cities and dismantling them. This created a large market for buses, which, in turn needed tyres, fuel etc.

To replace the efficient, environmentally sound trolley systems of yesteryear with "light rail systems" in cities such as Los Angeles, San Diego, San Jose etc. is an honourable undertaking.

Detroit, the tyre manufacturers, the oil industry and the road-building companies, assisted by the American Automobile Association and its many members, have no interest in supporting these efforts.

Politicians, representing their car-addicted constituencies, will also not support such expensive projects no matter how meritorious the results will be in the long run.

What is needed is efficient, safe, and affordable public transport, not more roads and cars. Just as the defence industry in the US had to learn to switch to serving the private sector, all industries – Detroit foremost – have to learn to use their vast resources to provide public transport. Talking about electric cars is just one of many ways to obfuscate the real issues.

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Rage against race in the US

For many, yesterday's enormous rally of black men in *Washington* provided yet more evidence of the gulf that divides white and black America. The willingness of many blacks to rally round Louis Farrakhan, the divisive and anti-semitic leader of the Nation Of Islam, has shocked white Americans, just as they were shocked by fervent black *support* for O.J. Simpson, the football star acquitted of murder earlier this month. Yet the most telling symptom of the divide between whites and blacks is not these events, but the fact that whites should find them so surprising.

Even President Bill Clinton, a thoughtful analyst of race issues, said it was partly his surprise at white and black Americans' different perceptions of the O.J. Simpson case that inspired him to make a speech on the issue of race relations yesterday in Texas. Yet, as he noted, whites need only look at the annual income and crime *statistics to find plentiful cause* for "black pain".

Four times as many black families live below the poverty line as white ones. When children alone are considered, the contrast is even sharper, with one in two black children living in poverty compared to one in seven whites.

The fact that many blacks inhabit a different world from middle class America need not automatically imply a similar polarisation of beliefs. Indeed, when Martin Luther King spoke at such a rally 30 years ago, it was his "dream" that blacks and whites could share the same vision of an integrated country, even though economic and social divisions between them were in many ways starker than they are today.

Thanks in large part to the efforts of King and others, around a third of the black population is now part of a thriving black middle class. But declining real wages and employment among unskilled blacks, particularly men, since the early 1970s has soured the dream *for many of the remaining two*-thirds, who feel themselves to be trapped within in an urban "underclass".

Recent Republican-led efforts to *dismantle* 1960s style affirmative action programmes – and the many calls for tightening up US immigration laws – imply that a large share of white America is also giving up on the 1960s prescriptions for black upward mobility. Small wonder, then, that Mr Farrakhan's more separatist vision of black empowerment gets a sympathetic hearing among those who do *not* share his offensive views.

Many of those attending yesterday's march wished to separate the messenger, *Mr* Farrakhan, from the message that blacks should take responsibility for themselves. Yet the message of a black male-only march is extreme in itself. The danger, in the present climate, is that many whites *will respond with similar extrem*ism, and refuse to assume their own responsibility to bridge the racial divide.

Turkey's deals

The Istanbul stock market shot up yesterday when Tansu Çiller, the prime minister, announced she had reached agreement "in principle" on reviving the left-right coalition which collapsed last month. It must have been moved mainly by the feeling that any government is better than no government. The immediate prospect, after the humiliating defeat on Sunday of Mrs Çiller's attempt to carry on at the head of a one-party minority government, had been one of further weeks, perhaps months, of in-fighting.

Yet no one can imagine that the revived coalition, if indeed it comes into being, is a recipe for long-term stability. Indeed, Mrs Çiller now admits that "Turkey has entered an election period". Yesterday she even spoke of holding the election in December, whereas previously she had been fighting to put it off until the present parliament's constitutional term expires in a year's time. One of the ironies of this situation is that a demand for early elections was the main point on which negotiations between her "True Path" party (DYP) and its rival on the centre right, the Motherland Party (Anap), broke down.

Presumably Mrs Çiller feared negotiating from weakness if she now conceded this demand to the Anap leader, Mesut Yilmaz, whereas she can be more confident of dominating the smaller and largely discredited Republican People's Party (CHP), with which she is trying to revive a coalition. Yet *there can be little doubt* that an *alliance*, or *better still* a merger, between DYP and Anap would make more political sense. In programmatic terms the two parties are very close, both being committed to Turkey's modernisation, the liberalisation of its economy, and its integration into the European market. It is mainly personality differences that have so far prevented this from happening. If Mrs Çiller emerges from the elections a clear victor over Mr *Yilmaz, there is just a chance she* would attract enough defectors from his party to give her a majority in the new parliament.

The most immediate problem is the need for a positive vote in the European parliament to allow the customs union with the EU to go ahead next January. This in turn requires an improvement in Turkey's human rights performance, of which the repeal of Article Eight of the anti-terrorism law, allowing imprisonment for crimes of opinion, has become the symbol.

On paper the DYP-CHP coalition has the votes to carry this, but only if *Mrs Çiller* can keep her own party in line. Behind that issue, but most unlikely to be settled before the election, lies the bitter war against Kurdish nationalists in the south-east, which is the occasion of most of the human rights violations. Aware of the damage this is doing to Turkey's relations with Europe, business leaders have begun to raise their voices in favour of a more political approach. The sooner those voices are heeded, the better.

UK prisons

Perhaps inevitably, Mr Derek Lewis has been dismissed as head of the Prison Service, following yesterday's *scathing official report* into prison break-outs. In prisons as poorly-managed as those in the UK continue to be, escapes are almost inevitable; so is the subsequent clamour for resignations. However, Mr Lewis's exit will do little to help the UK acquire a more secure or more humane prison system. It *is more* likely to hinder the important reforms now under way.

The management of the UK's prisons has long been a source of shame for ministers, a worry to the public, and the cause of unjustifiable discomfort to prisoners. Two years ago, ministers took the welcome step of giving *the prison* service more managerial independence by making it an executive agency. At the same time, they set *tough targets* for reform within five years.

In a damning analysis, yesterday's report by General Sir John Learmont implies that little has changed. It blames the escape of three top security prisoners from Parkhurst in January on gross mismanagement at the prison, and on deeper problems throughout the service. The Woodcock Inquiry last year into the IRA break-out from the £58m high security unit at Whitemoor prison discerned similar, widespread failures.

Many of the attacks are justified. However, yesterday's report does not fully acknowledge recent changes. Virtually all cells now have toilets, ending the degrading practice of "slopping out". There are fewer escapes from Category C prisons, one of the service's goals. Standards are audited more systematically. Communications equipment within prisons has been improved. Directors of the service argue that they have met all but one of 15 two-year targets set for them.

Given that the reforms are less than half way through the allotted period, Mr Lewis's score is not so poor that his *dismissal* is justified. On the contrary, during such radical change, continuity of management is worth a lot. His departure could undermine that process; it could also deflect *attention from* the deep confusion which remains in prison policy.

Concerns about policy are properly directed at the home secretary, although the director-general can advise him. The 1993 framework regrettably blurred the lines of responsibility between ministers, the agency and individual prison governors. However responsibility for policy ultimately rests with ministers.

Recent policy *has been torn* between conflicting goals. The 1991 Woolf report on the state of prisons recommended urgent improvement *in conditions* of care. But Mr Michael Howard, home secretary, wants prisons to be more austere, partly on the *thoroughly* questionable grounds that this will deter crime.

The UK's prisons need a carefully-analysed programme of reform, implemented consistently over years. Unfortunately, prison break-outs tend to provoke over-reaction, and poor policies.

Indonesian conglomerates are being urged to modernise – and reforms are under way, says **Manuela Saragosa**

Time to loosen the ties that bind

For many years the owners of Indonesia's big businesses have quietly *practised the art of mak*ing money. Now they have to deal with one of the consequences of their success: public scrutiny and criticism.

Growing resentment at the rapid accumulation of wealth and power by Indonesia's tycoons, particularly since the government started privatising and deregulating the economy in 1983, has led to repeated attacks from politicians, the media and academics. It has also per*suaded several business leaders of* the need for change.

The criticism has come as the gap between rich and poor in Indonesia has widened. Despite economic growth averaging 6.8 per cent annually for the past 20 years, the government says that 26m still live in poverty.

Some of the attacks have racist overtones; almost all the leaders of Indonesia's family-owned conglomerates are ethnic Chinese, although the Chinese account for less than 2 per cent of Indonesia's 190m people.

But there is another reason for the heated debate over the future of the conglomerates, which control *industries ranging from cement to* timber processing. Several have close ties with President Suharto and his family, and have profited from monopolies or other privileges in the conduct of their businesses.

The 74-year-old Mr Suharto, who is serving his sixth five-year term as president, has given no clues as to when he might step down or who will succeed him, which is of concern to those who have fared best under his rule. Conglomerates have started to plan for change by attempting to become more transparent, increasing the professional*ism* of their management and selling shares to the public.

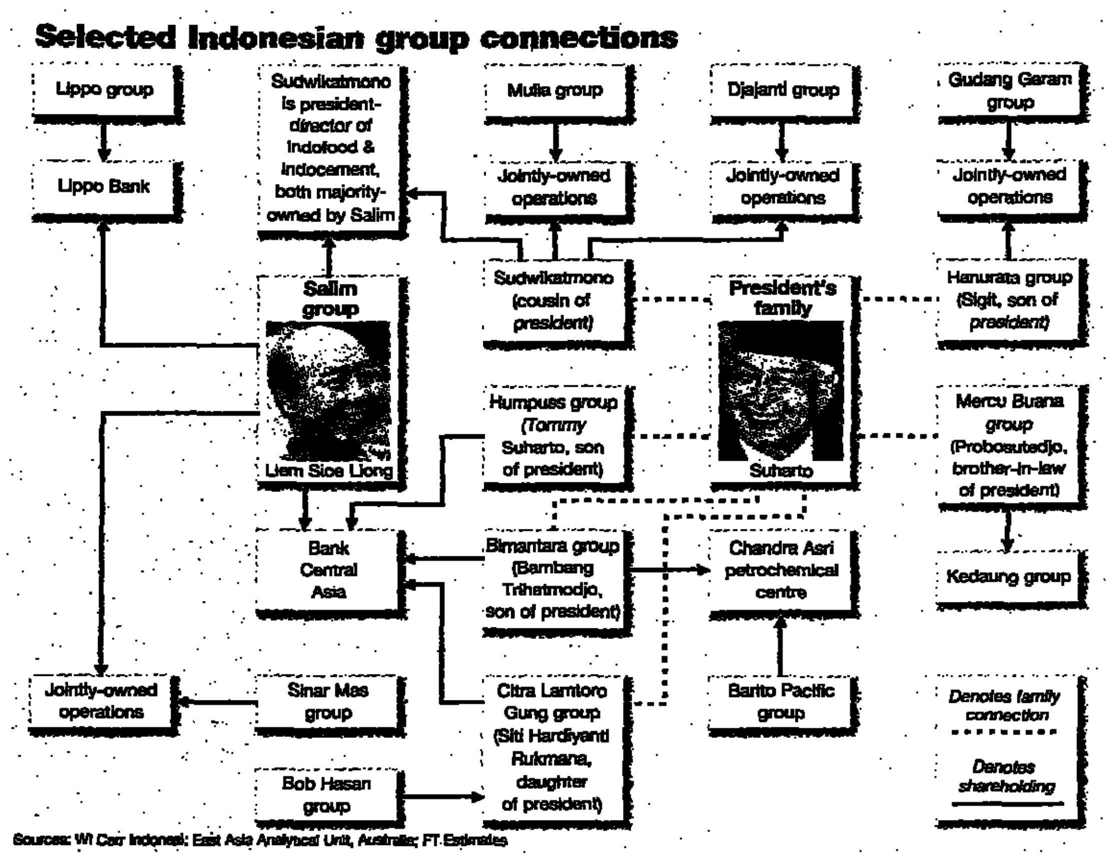
"We cannot use the assumption that without political patronage you cannot grow," says Mr James Riady, deputy chairman of the Lippo Group, a conglomerate with core interests in financial services and property development. "We have no choice. We've got to go in that direction."

Not all conglomerates have direct links with the presidential family, but some of the largest do. For example, three of the president's children are shareholders in Bank Central Asia, a commercial bank controlled by Salim Group, Indonesia's largest conglomerate. Salim Group is controlled by Mr Liem Sioe Liong, a friend of the president since Mr Suharto was a military commander in Java more than 30 years ago. And Mr Sudwikatmono, a cousin of the president, sits on the Salim board and is president-director of Indocement and Indofood, two of Salim's listed units.

In response to the growing public criticism, the heads of Indonesian conglomerates – both Chinese and *pribumi* or indigenous – issued a joint statement in August. Known as the Bali Declaration, it pledges to narrow the gap between rich and poor and foster the growth of small businesses. The business leaders later signed an agreement to develop a savings scheme for the *poor, to which they would contrib*ute at least $10m.

But many Indonesians regard such schemes as cosmetic. What is needed, they believe, is more competition in the economy. Several big businesses have grown rapidly because of the exclusive control they were granted over certain sectors of the economy and their privileged access to state bank loans.

"A lot of this business community has been assisted by the government," says Mr Sofyan Wanandi, head of the Gemala group, an auto-parts-to-finance conglomerate. "In most countries you can see that the relationship between the government and business is close but there must be more transparency – and that is what we don't have yet in Indonesia."



Sources: WI Carr Indonesi; East Asia Analytical Unit, Australia; FT Estimates

President Suharto defends such ties between government and business. In a rare public statement on the matter, he recently mentioned his relationship with Mr Liem of the Salim group, which, among other things, *dominates Indonesia's lucra*tive instant noodles market through its exclusive flour-milling concession. "Many have accused us of collusion," the president said. "The truth is that it is for the sake of the independence of domestic industries."

But the argument that the state needs to protect industries from foreign competition or ownership is losing ground within government. Some companies remain inefficient after years of economic protection for monopolies and cartels in paper, food processing, industrial chemicals and timber.

"Many restrictions on domestic trade still hinder efficiency and contribute to a high-cost economy," the World Bank wrote this year in its report on Indonesia. These include "industry cartels, price controls, entry and exit controls, non-transparent government bidding and procurement processes, and government intervention in favour of specific firms or industries".

*For a few years government min*isters have been working on a proposed antitrust law designed to help small businesses, and perhaps even restrict growth of Indonesia's business giants, but a draft has yet to be submitted to parliament. In June, the investment minister frightened business leaders by saying that companies with a market share of more than 50 per cent would not be allowed to expand production unless they were publicly listed or their additional output was earmarked for export.

After some entrepreneurs warned of a flight of capital, the co-ordinating minister for trade and industry declared that no such policy on competition would be adopted. But confusion remains, as control over industry protection appears to be based more on the president's word than on legislation.

Presidential connections, however, no longer appear to guarantee protection. Chandra Asri, a petrochemical plant which became a test case last year of Indonesia's commitment to free trade, was not given the 40 per cent tariff protection it had demanded, despite part ownership by Mr Bambang Trihadmodjo, one of Mr Suharto's sons.

To defuse criticism of their wealth and secretive business practices, the owners of several conglomerates have floated subsidiaries on the local stock exchange. They aim not only to raise capital but to spread ownership more widely and to make the companies more transparent – protecting them, they hope, from negative political campaigns now or in the future.

Mr Riady of Lippo Group, which is preparing to list a seventh company on the domestic stock market later this year, says: "Institutionalising your organisation... guarantees continuity."

He adds: "That means not just one guy owning the group but a lot of people owning it – listing on the stock exchange. Second, it means to institutionalise management, in that you take away the family members and give the group to professionals and let them run it."

This kind of transparency – a flotation means revealing detailed financial information – can be a *double-edged sword. In the process* of listing subsidiaries, conglomerates have disclosed more data about their size and activities, exacerbating the public criticism.

This has not deterred companies from seeking initial public offerings. In the past year, these have included Bimantara Citra, a media*to-infrastructure conglomerate* controlled by Mr Suharto's second son, and Citra Marga Nusaphala Persada, a toll road operator controlled by the president's eldest daughter.

New banking regulations may prompt further public listings of companies owned by conglomerates. Banks are now allowed to *extend loans worth up to 20 per* cent of their capital to each subsidiary of a conglomerate – provided that subsidiary has listed at least 30 per cent of its issued stock.

Mr Riady says he expects conglomerates to become more market-oriented and accountable to the public as they list subsidiaries and introduce more professional management. The challenge for the big businesses is to overcome their dislike of disclosure.

"My father keeps reminding me and my brothers that Chinese family businesses historically do not last for more than three generations," says Mr Riady. "My job is to break that statistic, and that is also very much in the minds of entrepreneurs of the major conglomerates in Indonesia."

Captain Birds Eye is being recast as a caring facilitator, writes **Diane Summers**

An ancient mariner

Captain Birds Eye, the bearded old salt synonymous with fish fingers in 16 countries, is getting a facelift. Early TV advertisements typically had him telling a gang of kids to "help yourself, me hearties, while I have a word with yer mums". A lecture on content and nutrition would follow.

Now he is taking an altogether less didactic approach in a new campaign which, according to Ammirati & Puris/Lintas London, the advertising agency, will see him as "more of a caring facilitator". The agency's research suggested that Captain Birds Eye as a leader of a crew of children was *outdated*; children preferred to see his crew centre-stage.

The latest ads, which have started to appear on *TV* over *the past* few days, show children involved in a Steven Spielberg-type adventure to "find the Captain's gold". Set in the Arctic – though actually filmed in New Zealand – the advertisements have the children charging around on snowmobiles, chasing polar bears and boarding *the Captain's* ship to consume the "gold" fish fingers. The information on nutrition comes in separate press advertisements aimed at parents.

It is scarcely surprising that the Birds Eye fish finger is in need of an update: this year the product is 40 years old and, astonishingly, the present *Captain is the same* John Hewer who played the part in 1967 when the advertising was devised. Before auditioning for the part, Hewer was the person in charge of Birds Eye's annual sales conference. He is now 72.

In the intervening years there have been attempts to kill off his *role, or to change it to a meaner*, pirate-like character. This failed when children found the new persona too frightening. In the UK, a *public relations stunt* had the original Captain lost at sea in an announcement in The Times personal columns. But he was found *again and reintroduced to the ads in* the mid-1970s.

The Birds Eye brand of frozen foods was established in the US by Clarence Birdseye, who had seen native Canadians freezing vegetables and fish. It is owned by Unilever in most countries, although not in the US. The fish finger *was test marketed in the UK* in 1955, winning over the unappetising sounding "herring savoury" which was tested at the same time.

Since then, the fish finger has spread to countries as diverse as Portugal, Sweden, Japan and Dubai, usually translating as "fish stick". *Unilever admits to* "*the most minor* tweak on crumb" to take account of some local differences in taste, but otherwise claims it is one of the few foods to transfer to many different cultures. The same ads also run in every country, with the only difference being the voice track.


The Captain is getting a new image

Caroline Whitfield, a Unilever *marketing* manager in the UK and chairman of the product's international marketing group, says: "Everyone says food is always very local but this is an interesting exception. There is a universal need: mothers want to feed their children nutritious foods in a convenient way."

Birds Eye has about a 45 per cent volume share of fish fingers in most of its markets, but more in money terms because it is a premium brand. In the UK, for example, it has about £60m ($93m) in sales in a £100m market. This share has been roughly stable for about 10 years, says Whitfield.

In the meantime, however, the fish finger has had to battle to hold its own against other children's foods such as pizzas, burgers, canned pasta and chicken products. There has also been competition from own-label, minced-fish tertiary brands often selling at less than half the price.

Unilever *is hoping* that a less didactic Captain, the new Arctic adventure campaign, plus a computer game due to be launched next year will allow the brand to continue commanding a premium, and inject new excitement into the 40-year-old fish finger.

OBSERVER

A Teutonic kitten purrs

■ The lion roared at yesterday's CDU party congress in Karlsruhe, when German chancellor Helmut Kohl was presented with a large stuffed lion, the gift of a local toy manufacturer.

Doing the honours was Erwin Teufel, prime minister of Baden-Württemberg. *Teufel allowed* himself a stream of allegorical inspiration that left aghast even strong-stomached observers. The lion, said Teufel, was the emblem both of Baden-Württemberg and Rhineland-Palatinate, Kohl's home state. King of the jungle, it's also a symbol of power and bravery. It permits no enemy into its territory, yet is also a companionable, family-loving creature. Rather puzzlingly, Teufel added that the *lion is active at night.*

Such a eulogy would leave lesser mortals lost for words. Not Kohl, who immediately retorted that Teufel had failed to point out that the male lion was lazy and left the females to do all the work. Can that be why the CDU leadership wants to change the party rules, so that women have a third of party offices?

Just digging deeper

■ Well, well. Can it really be a year since Sir Alastair Morton, Eurotunnel's co-chairman, announced that he was a buyer of Eurotunnel shares at £2.30?

He then picked up 5,000 shares in *the sickly project, saying he* planned to hold them at least a year, and sell them when "the holding shows me a 50 per cent per annum growth". Brave words. Sir Alastair just about got the magnitude of the share price movement right – shame about the direction. Eurotunnel's shares are *now trading at 92p – 60 per cent down* on a year ago.

Observer checked with Richard Hannah, UBS's tunnel expert, about whether Sir Alastair should cut his losses, or hold on. Hannah was his usual bearish self. "Even at these levels we do not hold out much hope", says Hannah. But he *stressed that Sir Alastair should* look on the bright side. After all, he can realise a useful tax loss.

Retro style

■ Maybe 1980s madness is making a comeback in 1990s France. GE Capital, the US-based financial services group busy gobbling up companies in Europe and Asia, last week offered FFr7.7bn for Sovac, a specialist financing group, in a bid for each share two-thirds higher than the current price on the stock market.

Observer is told that, while GE's executives held discussions with Sovac and its owners, they didn't carry out any formal due diligence before committing to the purchase. Naturally they can expect the figures in the accounts to be reliable enough – at least while *profits continue rising.*

Shining example

■ Nice to see *Malaysia's* strong-man premier Mahathir Mohamad and Peruvian president Alberto Fujimori getting on so well. *The two "see eye to eye on many* matters, especially on democracy," says Mahathir.

In paying Lima an official visit at the weekend, Mahathir congratulated Fujimori on his 1992 palace coup, which resulted in the closing of Peru's congress. He also praised Fujimori's firm stance *against whingeing by the* international community, which doesn't "understand that democracy is not an end in itself but the means to an end."

Before paying a flying visit to Cuzco, seat of the rather effective if autocratic Inca empire, Mahathir lectured Peruvians on the desirability of achieving political stability via a one-party state. All this free-thinking liberalism is going to get him into hot water one of these days...

Dismal seance

■ And now, for the economist trying to bring some life into the daily grind, the UK-based Institute of Economic Affairs proudly brings you – merchandise. Can't decide what to put round your neck this morning? Why not try the Adam *Smith tie (with a silhouette of* Smith). A snip at £7. Already got too many ties? Then why not head for the Adam Smith money clip, lapel pin, or cufflinks.

Adam Smith not your style? Then queue up for the "great economist" T-shirts, mugs or a tea towel, all emblazoned with different *exponents of the art of making* figures sound whatever you like. Observer prefers its old anorak, which carries the (bowdlerised) Smith slogan: "With the greater part of rich people, the chief enjoyment of riches consists in the parade of tat."

Red chill blames

■ An army marches on its stomach, as Napoleon Bonaparte once asserted. Mind you, decent boots come in handy too, as Russia's underfunded army is discovering. It seems that because of budget cuts, Russia's once-mighty army has received less than one third of the 1m pairs of boots it needs this winter.

But the top brass is stretching sympathy a bit far in suggesting it needs Rbs5,900bn to spend on clothing all its troops. That's the equivalent of $650 for each serviceman; in today's Russia that's more than enough to kit them in designer mink.

The Financial Times

100 years ago

British East Africa Company
The shareholders of the British East Africa Company are concerned for the health of the overworked secretary and staff. The company, which is fairly well known in City circles for unwillingness to give information about its territory, has been given much trouble by one Hamis Kombo. He apparently shows as much obstinacy as the East Africa Company itself, and nearly as much capability for making a muddle of things in general. But the chief who quarrels with the British Government nearly always makes something out of it by way of a pension.

Folly of Tobacco
We have been the recipients from the Anti-Narcotic League of a pamphlet on the sin and folly of indulgence in tobacco. We are asked to stand for our rights because of the "addition of myriads of urchins, ragged or otherwise, to the smoking army." We have often wondered at the harmless idiocy of these good-meaning individuals. We notice they have money enough to waste on 230 of their pamphlets. We suspect that most of them, like the one forwarded to us, have ended in smoke.

FINANCIAL TIMES
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Ex-Barings chiefs face severe criticism in Singapore report

By John Gapper and Nicholas Denton

Former senior executives of Barings, the UK merchant banking group that collapsed in February as a result of about $1.3bn of derivatives losses, face heavy criticism in a report by Singapore inspectors due to be published today.

It is expected to be especially critical of Mr Peter Norris, former head of investment banking. The criticism is expected to go beyond that of a Bank of England inquiry in July.

The Singapore Ministry of Finance is also to announce it is putting Baring Futures (Singapore), the unit formerly run by Mr Nick Leeson, into liquidation as a result of Barings' failures, and breaches of local regulations.

Simex, the Singapore exchange where Mr Leeson traded, announced yesterday that Baring Futures (Singapore) had been found guilty in June of violating the exchange's rules, and ordered to pay a fine of S$6.95m (US$4.8m). The unit, which had five directors including Mr Norris and Mr James Bax, regional manager for south-east Asia, has been controlled by judicial managers since the collapse, but is likely to be liquidated immediately.

The inquiry is likely to praise Mr Ian Hopkins, the former head of treasury and risk, for warning Mr Norris several months before the collapse that he was worried that controls at the bank were "flaky". Mr Norris protested to Singapore earlier this year at an apparent suggestion in the inspectors' draft findings that he tried to suppress information about an unexplained $79m debt, which turned out to be part of Mr Leeson's losses. The inspectors – Mr Michael Lim and Mr Nicky Tan of the accountancy firm Price Waterhouse, and Mr Sudaresh Menon of the law firm Rajah & Tann – indicated in draft findings that they did not believe parts of Mr Norris's evidence.

An assertion that the $79m discrepancy – which arose from a loss Mr Leeson accumulated in a hidden account numbered 88888 – was deliberately covered up would go considerably further than criticism in the Bank of England's inquiry. It found that although executives should have acted more promptly to discover the reason for the discrepancy, they did not deliberately hide it. Mr Leeson has also ruled out collusion with senior executives.

Mr Norris and Mr Hopkins were among 20 executives who were dismissed or resigned from Barings after its acquisition by Internationale Nederlanden Group, the Dutch bank. They departed before the Bank of England inquiry.

Mr Leeson is being held in prison near Frankfurt awaiting extradition to Singapore on charges of forging documents to conceal the $79m discrepancy, and cheating Simex by failing to advance the correct margin payments on his trading. The Serious Fraud Office has blocked an attempt by Barings bondholders to have him extradited to the UK instead of Singapore. Mr Leeson has appealed against an initial ruling in Germany that he can be extradited to Singapore.

Çiller puts together government to take Turkey to early poll

By John Barham in Ankara

Mrs Tansu Çiller, Turkey's prime minister, and her original coalition partners from the Peoples Republican party (CHP) yesterday patched together an interim government in a bid to stay in power until early elections. .

Mrs Çiller and Mr Deniz Baykal, leader of the social democratic CHP, agreed in principle to form a new coalition between the CHP and Mrs Çiller's conservative True Path party (DYP). This would be very similar to their previous government which collapsed last month.

Share prices on the Istanbul stock market rose by 8.5 per cent on reports that a new government could be formed soon.

Mrs Çiller, who believes there could be elections as early as December, said: "We have agreed in principle to form a DYP-CHP government and not leave the country without a government. Tomorrow we will start working on this."

Mr Baykal added: "Turkey needs a government as soon as possible. I am happy to see that there is a chance to form a DYP-CHP coalition."

Mrs Çiller lost a vote of confidence in parliament on Sunday when only 191 out of 428 MPs voted to support a minority government she had formed 10 days earlier to replace her two-year-old coalition with the CHP.

The coalition folded in part because Mrs Çiller refused to meet Mr Baykal's demand that she sack Colonel Necdet Menzir, Istanbul's hard-line police chief. She has now agreed to remove him from his post, heeding CHP claims that he had undermined their defence of human rights.

President Süleyman Demirel has yet to give formal approval to the proposed new alliance. Mr Demirel, who postponed a trip to the US this week to deal with the crisis, was scheduled to meet other party leaders yesterday.

Few observers expected Mrs Çiller to reassert her authority so quickly after her humiliating defeat in parliament, partly caused by a rebellion within the True Path's ranks.

Mrs Çiller yesterday summarily expelled the rebels and their leader, Mr Hüsamettin Cindoruk, a former parliament speaker, from the party.

Many Turks, wearied by weeks of intrigue, were relieved that a new government was finally in the offing. Mr Attila Şnol, chairman of Mesa, a large construction group, said: "The political confusion is bad for business because inflation is high and there is great uncertainty."

Editorial Comment, Page 17

King Hussein hits at Saddam vote 'farce' as threat to stability

By Julian Ozanne and David Gardner in Amman

King Hussein of Jordan yesterday attacked Iraq's one-candidate presidential referendum, which resulted in a 99.9 per cent yes vote for Mr Saddam Hussein, as a transparent "farce" which could further damage Iraq's unity and threaten regional stability.

In an interview at the Royal Palace in Amman, King Hussein set out a plan for political change in Iraq that would involve the drafting of a new constitution by a national reconciliation conference of the country's three ethnic groups.

Without such a plan in a post-Saddam era, the king warned of a "bloodbath" in Iraq and a fragmentation of the country, which could ignite instability throughout the Middle East.

Iraq, he said, had become a "country strangled from without and oppressed from within". It desperately needed to put in place clear constitutional objectives to assuage Iraqi fears of a bloodbath in the wake of a change in the regime.

"The negative fall-out of conditions continuing in Iraq would lead to a definite disaster that would affect the entire region, as it was affected by what happened in 1990 [Iraq's invasion of Kuwait] and worse," he said.

The 59-year-old monarch broke decisively with Iraq in August when the king granted asylum to two of Mr Saddam's closest officials, thus promoting Jordan as a regional power broker. He said he had been urging Arab leaders to support his idea of a reconciliation conference, probably to be held outside Iraq.

King Hussein refused to criticise Mr Saddam personally but said direct relations between the two leaders had been "non-existent" since Iraq's invasion of Kuwait. His efforts to talk to the regime through third parties had been "a dialogue of the deaf".

On prospects for Israeli-Syrian peace, he criticised the slow pace of negotiations and said direct talks at the highest political level, demanded by Israel but refused by Syrian president Hafez al Assad, were the only way to break the deadlock and reach a comprehensive Middle East peace embracing Syria and Lebanon.

He implicitly criticised Syria by backing Israel's call for direct talks. "You can't have them [negotiations] by remote control. You can't have them through third parties no matter how influential or full of goodwill they are."

Court of the chameleon, Page 16

Buoyant mood as blacks march in US

Continued from Page 1

was only due to speak at the climax of the event. But the Reverend Ben Chavis, a leading organiser, said that even if the march did not constitute an endorsement of Mr Farrakhan, "the magnitude, the message and the messenger are all inseparable". The Rev Chavis claimed the crowd was 1m strong by 10am.

Several black religious leaders refused to attend because of Mr Farrakhan's views.

Comments from crowd members varied. Mr Larry Sanders, 16, from Washington, DC, said: "I don't like Farrakhan, I'm here for myself." But Mr Sidney Muhammed, a Nation of Islam member from Tennessee, said: "Those who disagree with Farrakhan or call him a racist are just jealous because he is our saviour and because he has the power to bring this many people together."

Kohl's call

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for making Europe a "weather-proof house with a stable roof".

Mr Kohl also called for an international initiative on the environment, saying he was "deeply disturbed" by global warming.

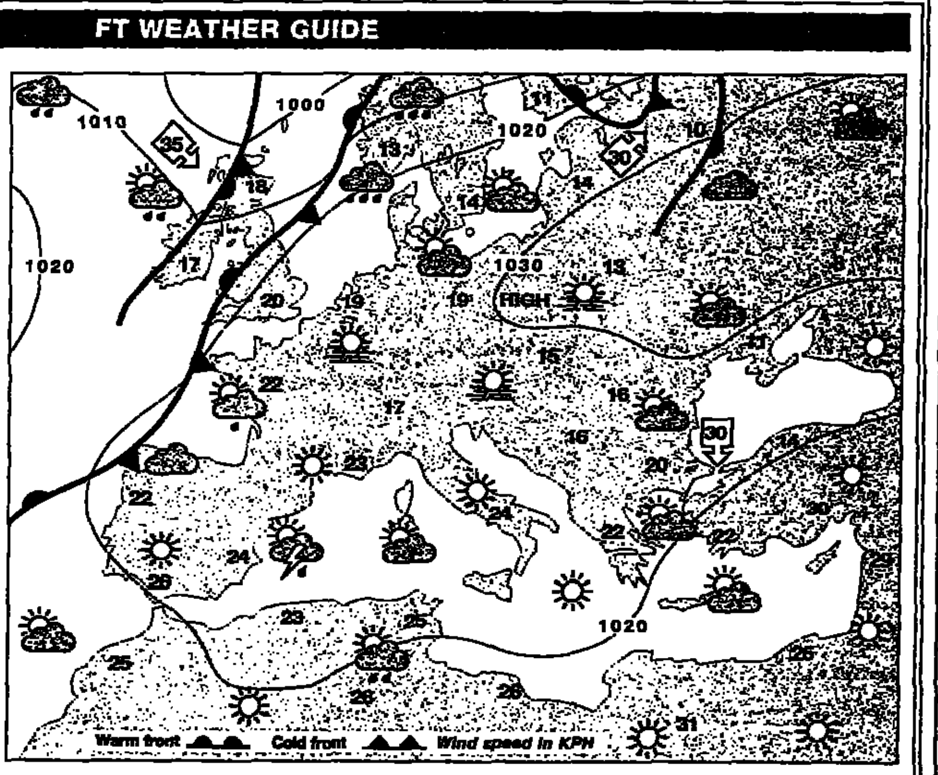
FT WEATHER GUIDE

Europe today

Fog will form at night over a wide area, including the Benelux, northern France, Germany, the western Balkans, Poland, the Czech Republic and Slovakia, disappearing during the day as the sun breaks through. Eastern Spain will have cloud and rain followed by sunny periods. Mallorca, Corsica, Sicily and Greece will have patchy cloud but will remain dry. South-eastern France, Italy, southern Spain and Portugal will be mainly sunny, while the UK and western Scandinavia will be cloudy and wet.

Five-day forecast

Low pressure over northern Britain and Scandinavia will bring cloud and rain to the region. France, Spain, and southern Britain will have sunny spells, with fog at night.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	rain	19	Caracas	shower	32	Faro	sun	24	Madrid	fair	23	Rangoon	cloudy	34
			Belfast	fair	15	Cardiff	rain	17	Frankfurt	sun	18	Majorca	shower	23	Reykjavik	fair	4
Abu Dhabi	sun	34	Belgrade	fair	15	Casablanca	sun	24	Geneva	sun	19	Malta	fair	24	Rio	shower	25
Accra	shower	29	Berlin	fog	17	Chicago	cloudy	22	Gibraltar	sun	21	Manchester	rain	17	Rome	sun	23
Algiers	shower	23	Bermuda	shower	25	Cologne	sun	20	Glasgow	rain	17	Manila	shower	32	S. Frsco	sun	23
Amsterdam	fair	19	Bogota	shower	18	Dakar	fair	32	Hamburg	fair	18	Melbourne	fair	20	Seoul	fair	22
Athens	fair	21	Bombay	shower	32	Dallas	sun	31	Helsinki	fair	13	Mexico City	sun	19	Singapore	cloudy	32
Atlanta	sun	24	Brussels	sun	20	Delhi	fair	34	Hong Kong	fair	26	Miami	shower	29	Stockholm	fair	14
B. Aires	sun	17	Budapest	fair	16	Dubai	sun	35	Honolulu	fair	32	Milan	fog	20	Strasbourg	sun	19
B.ham	fair	18	C.hagen	fair	14	Dublin	fair	17	Istanbul	fair	17	Montreal	sun	8	Sydney	sun	25
Bangkok	shower	33	Cairo	sun	29	Dubrovnik	sun	22	Jakarta	shower	32	Moscow	cloudy	10	Tangier	sun	24
Barcelona	fair	21	Cape Town	fair	24	Edinburgh	shower	18	Jersey	fair	19	Munich	fog	16	Tel Aviv	fair	28
									Karachi	fair	35	Nairobi	fair	27	Tokyo	fair	23
									Kuwait	sun	34	Naples	sun	24	Toronto	fair	12
									L. Angeles	sun	24	Nassau	rain	30	Vancouver	rain	15
									Las Palmas	fair	26	New York	sun	15	Venice	sun	19
									Lima	cloudy	19	Nice	sun	22	Vienna	fair	16
									Lisbon	sun	24	Nicosia	sun	28	Warsaw	fair	13
									London	fair	21	Oslo	rain	13	Washington	sun	17
									Lux.bourg	fog	18	Paris	sun	21	Wellington	fair	15
									Lyon	sun	20	Perth	shower	22	Winnipeg	rain	10
									Madeira	rain	24	Prague	fair	15	Zurich	sun	17

THE LEX COLUMN

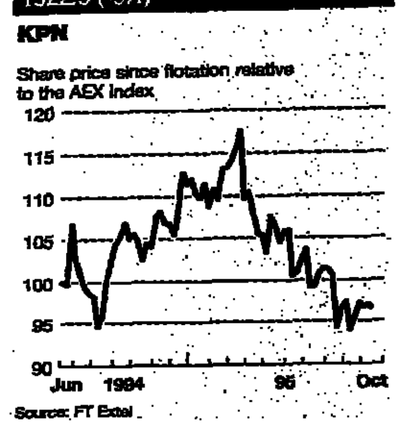
Milanese mazes

The ill-conceived proposal to create a new Italian super-conglomerate out of the troubled holding company Gemina seems to be backfiring on its creator, Mediobanca. The postponement of rights issues at Cir and Cofide demonstrates that the powerful Milanese merchant bank can no longer ensure support from Italy's banks for all its corporate manoeuvrings. The timing is unfortunate. Mediobanca will need all the support it can get to complete the Gemina reorganisation against the backdrop of an investigation into financial irregularities at Gemina.

Mediobanca's survival powers should never be underestimated. Nonetheless the Gemina transaction should at least harden the treasury's apparent resolve to weaken its monopoly of Italian investment banking. After all, the Gemina deal has damaged the Milan stock market's international credibility just as Italy prepares to offload shares in Eni, Ina, Stet and Enel. The subsequent stock-market decline will affect valuations. Moreover, the Gemina proposals remind international investors of the hazards of being a minority shareholder in Italy.

Such hazards were demonstrated in Italy's last large privatisations, Credito Italiano and Banca Commerciale. Once the banks were listed, Mediobanca sneaked control through a series of share purchases by friendly parties. Rights issues and share price underperformance followed. If Italy fails to set up structures to prevent a repeat performance with the likes of Stet, international appetite and therefore pricing will diminish.

FT-SE Eurotrack 200: 1522.5 (-9.1)



Source: FT Extel

KPN

European telecoms stocks are out of favour at the moment, and with good reason: governments are offloading billions of dollars worth of shares just as the companies are about to stripped of their monopoly protection. However, not all telecoms groups' profits are equally vulnerable to competition. At one end of the spectrum is Spain's high-priced Telefónica, whose $1.3bn share sale struggled earlier this month. At the other end is KPN of the Netherlands, whose $3bn share offering closes this week. Its relatively low tariffs – particularly for international and long-distance calls, where competition can most easily take hold – give it a good defensive position.

KPN still has competitive weaknesses: the Netherlands' relatively small size makes it more reliant on international calls than most of its European peers; and the concentration of traffic among a small number of multinationals makes it vulnerable to cherry-picking.

Nevertheless, the company's share price discounts such risks. It currently trades on around 11 times this year's expected earnings, yielding slightly below 5 per cent. That gives it the lowest price/earnings ratio and highest yield of the continental telecoms stocks apart from Tele Danmark. Its hard-currency status is also an attraction. There is a risk that next year's $10bn float of Deutsche Telekom, also a hard-currency stock, will depress KPN's share price. But for those who want a relatively safe if dull investment today, KPN is a fair bet.

Trocadero/Burford

Burford's decision to spin off its Trocadero building in central London looks like a classic demerger. Separating two businesses that are rapidly growing apart should help each achieve a higher rating independently, increasing shareholder value.

The slimmed-down Burford will be a conventional property company, valued in relation to assets; but it will be financially stronger due to £70m of cash it is extracting by loading the Trocadero up with debt. That will give it firepower for acquisitions at a time when there are few buyers in the market.

The Trocadero is turning into a leisure business thanks to a joint venture with Japan's Sega to create an indoor theme park based on virtual reality rides. Operating profits from that source could match the site's entire rental income within two years. Similar deals could be on the way; meanwhile advertising and sponsorship revenue should add to growth.

The main risk is that the Trocadero will start life heavily indebted, with an interest cover of less than one and no guarantee that SegaWorld will live up to its promise. But a similar theme park in Japan has been very successful and analysts estimate the new shares could start trading at around 30p. That would imply a value of £220m for the Trocadero compared with the £96m for which Burford bought it a year ago. It would also put Burford's senior managers well on the way to profits of £5m under a new option scheme. If they can produce this sort of increase in shareholder value, the rewards look justified.

British Gas

The announcement that three of British Gas's seven executive directors are on the way out suggests a belated recognition of the need for change. The company has been slow to move away from the pre-privatisation culture. Meanwhile the share price has suffered as the scale of its problems has become clear. This leaves the one survivor of the old regime, Mr Cedric Brown, the chief executive, looking increasingly isolated.

Mr Brown has had more than enough distractions. He has faced a debilitating political row over his pay package. That is the charitable explanation for his decision not to participate in the company's new long-term scheme for rewarding senior staff. But it is a decision which shareholders may regret. The well-designed scheme, toughened by the company yesterday, is one of the better by-products of the pay argument at British Gas. Unlike share options, it will make managers think about dividends as well as share prices. By comparing British Gas with FT-SE 100 companies generally, it will only reward above average performance.

Whether the scheme will help, however, remains to be seen. The scope for the management to solve some of the company's problems – long-term gas contracts at uneconomic prices, and an unpredictable regulatory review of its lucrative gas transport business – is limited. Nor are shareholders in any mood to give the company the benefit of the doubt. But the fact that there are three directors with a strong financial interest to see things from shareholders' point of view is a start.